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100TH CONGRESS
2d Session

SENATE

REPORT
100-326

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1989

REPORT

[TO ACCOMPANY S. 2355]

ON

AUTHORIZING APPROPRIATIONS FOR FISCAL YEAR 1989 FOR MILITARY ACTIVITIES OF THE DEPARTMENT OF DEFENSE, FOR MILITARY CONSTRUCTION, AND FOR DEFENSE ACTIVITIES OF THE DEPARTMENT OF ENERGY, TO PRESCRIBE PERSONNEL STRENGTHS FOR SUCH FISCAL YEAR FOR THE ARMED FORCES, AND FOR OTHER PURPOSES

TOGETHER WITH

ADDITIONAL AND SUPPLEMENTAL VIEWS

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

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CONTENTS

Page

- Purpose of the bill 1
- Budget effect of the committee bill 2
- Findings of the committee's hearings 6
  - Subcommittee on Strategic Forces and Nuclear Deterrence 6
  - Subcommittee on Conventional Forces and Alliance Defense 7
  - Subcommittee on Projection Forces and Regional Defense 9
  - Subcommittee on Defense Industry and Technology 9
  - Subcommittee on Readiness, Sustainability and Support 13
  - Subcommittee on Manpower and Personnel 17
- DIVISION A—DEPARTMENT OF DEFENSE AUTHORIZATION 19

Title I—Procurement:

  - Explanation of tables 19
  - Aircraft procurement, Army 20
    - AH-64 attack helicopters 21
  - Missile procurement, Army 21
    - Forward Area Air Defense System Line of Sight Heavy 21
  - Weapons and tracked combat vehicles, Army 22
    - M1A1 tanks 22
    - TOW II anti-tank missile 23
    - M60 modifications and training devices 23
    - Heavy mortar study 23
  - Ammunition, Army 23
    - 105mm APFSD-T (XM900E1) 23
    - 155mm DP basebleed XM864 23
    - Program reductions 24
  - Other procurement, Army 24
    - High Mobility Multipurpose Wheeled Vehicle 24
    - 10-ton trucks 24
    - Advanced Field Artillery Tactical Data System 24
    - JSTARS ground stations 24
    - Logistics Support Vessels (LSV) 24
    - Large scale simulator networks (SIMNET) 24
  - Aircraft procurement, Navy 27
    - Naval aviation 27
    - EA-6B jammer aircraft 27
    - AV-8B Harrier aircraft 28
    - V-22 aircraft 28
    - AH-1W ground support equipment 29
    - F-14 modification program 29
    - Aircraft ejection seats 30
  - Weapons procurement, Navy 30
    - Trident II 30
    - AIM-7 missiles 30
    - Navy weapons industrial facilities 30
    - Vertical Launch ASROC 30
  - Shipbuilding and conversion, Navy 31
    - Oceanographic research ship (AGOR) 31
    - DDG-51 class guided missile destroyer 31
    - Service life extension of the 1052 class frigate 31
  - Other procurement, Navy 32

Page

Title I—Procurement—Continued

Other procurement, Navy—Continued

- 5-inch semi-active laser guided projectile program 32
- Sealift support equipment 32
- Sonobuoys 32
- Offshore petroleum discharge system 32
- AN/SQR-17A acoustic processors 33

- Procurement, Marine Corps 33
  - MK 19 40mm grenade launcher 33
- Aircraft procurement, Air Force 35
  - Advanced self protection jammer 35
  - C-17 aircraft production 35
  - Civil Air Patrol 35
  - Electronic counter measures pods 36
  - T56-15 engines for C-130 aircraft 36
- Missile procurement, Air Force 36
  - Advanced Medium Range Air-to-Air Missile (AMRAAM) 36
  - Space launch recovery 36
- Other procurement, Air Force 39
  - Bomb, hard target, 2,000 lb 39
- Procurement, Defense Agencies and reserve components 40
  - Additional procurement for reserve components 41
  - Tank modernization program 41
- Chemical demilitarization 41
- Authorization for multiyear contracts 42

Title II—Research, Development, Test and Evaluation (RDT&E):

- Undistributed reductions 43
- RDT&E, Army 44
  - Electronic warfare vulnerability assessment 45
  - Countermine technology 45
  - Armor-antiarmor initiative 45
  - Advanced anti-tank weapons system-heavy 46
  - Multi-helicopter external lift system 46
  - Milan II and Bofors Bill 46
  - Ruggedized plastic material for ammunition packaging 46
  - 30/30 engineering vehicle 46
- RDT&E, Navy 48
  - Gas turbine propulsion plant improvements 49
  - RAMP/RTIF program 49
  - Sea Lance 49
  - F/A-18 radar upgrade 49
  - Satellite laser communications 50
  - Supersonic sled tracks 50
  - Oceanographic and meteorological instrumentation 51
  - High-speed assault landing craft (HAVIC) 51
  - Rapid air defense integration 51
  - Advanced submarine technology program 52
  - Naval oceanography program 52
  - Fast sealift development 52
  - Light weight early warning detection system 53
  - Light armored vehicle—assault gun 53
- RDT&E, Air Force 54
  - KC-135 reengining—R&D aircraft 55
  - Advanced strategic missile system 55
  - Bomber modernization 55
  - Anti-satellite system (ASAT) 56
  - Wide area anti-armor munition 57
  - SR-71 aircraft 57
  - National Center for Manufacturing Sciences 58
- RDT&E, Defense Agencies 59
  - Technology base funding 60
  - University Research Initiative program 60
  - Nuclear monitoring 60
  - Strategic Defense Initiative (SDI) development and testing restriction 60
  - Balanced Technology Initiative 62
  - Advanced Tactical Aircraft/Advanced Tactical Fighter 64
  - Mark XV Identification Friend or Foe system (IFF) 65
  - Air-to-Air Missiles 66

Page

Title II—Research, Development, Test and Evaluation (RDT&E)—Continued

RDT&E, Defense Agencies—Continued

Extended air defense 67
Close air support 67
The Defense Advanced Research Projects Agency 67
Consolidated DOD software initiatives 68
Optoelectronics materials research and development 68
Materials technology (DARPA) 69
Flexible computer integrated manufacturing 69
Multiple development of threat simulators 69
NATO Defense Program report 70
Cooperative research and development 70
Cooperative research and development support for Israel 71
Authority to loan and accept material for cooperative R&D 71
Major non-NATO allies reporting requirement 72

Title III—Operation and Maintenance (O&M):

Summary of O&M changes 73
Funding adjustments 74
Civilian personnel 77
Legislative proposals 77
Report on manpower, mobility, sustainability, and equipment readiness 77
Alterations to the U.S.S. "Midway" 78
Revolving and management funds 78
Legislative provisions 79
Humanitarian assistance 79
Prohibition on financing certain activities by direct appropriations 80
Limitation on private operation of commissaries 80
Defense supplies and security control 80

Title IV—Personnel Authorizations and Related Items:

Active duty and strengths 82
Active duty officer strengths 84
Selected Reserve end strengths 85
Reserve full time support end strengths 85
Active duty reserve support grade ceiling 86
Military training student loans authorization 87
Civilian end strengths 87

Title V—Military Personnel:

Officer promotion procedures 88
Defense manpower requirements report 89
Nonappropriated fund employees in child care centers 89
Military medical management and control 89
Military psychologists serving on competency boards 90
Technical corrections 91

Title VI—Compensation and Other Personnel Benefits:

Military pay raise 92
Adequacy of housing allowance 92
Increases in household goods weight allowances 93
Aviator bonus authority 93
Medical special pays 94
Special pay for critically short wartime health professional specialties in the Selected Reserve 95
Retired pay for military personnel 96
Survivor Benefit Plan payments to certain survivors of retirees 96
Funded emergency leave for personnel on temporary duty 96
Definition of dependent 97
Uniformed Services Treatment Facilities 97
Navy medical end strengths 97

Title VII—Department of Defense Organization and Management:

Joint officer management policies 99
Deferred retirement for JCS Chairman 100
Assignment of combatant forces 101
Responsibility and authority of commander of special operations command 101
Prohibition on funding for an office of the assistant secretary of defense for intelligence 102
General Counsels of military departments 102
Annual net assessment 102

Page

Title VIII—Acquisition Policy and Management:

Integrated financing policy 104
Guidance on fixed price development contracts 104
Incentives for innovation 105
The defense industrial base 106
  Defense memoranda of understanding 106
  Department of Defense offset policy 107
  Domestic bearing industry 108
  Japanese fighter development (FSX/F-16) 109
  Domestic preference in awarding defense contracts 109
  Export of United States defense products 110
  Equitable policies on purchase of foreign defense products 110
Procurement technical assistance cooperative agreement program 111
Regulatory simplification and streamlining of oversight activities 111
Department of Defense advisory panel on government—industry relations 112
Evaluation of contract proposals for professional and technical services 112
Acquisition management and government contracting education 113
Science and engineering workforce study 113
Authority and responsibility of DOD acquisition officers 113
Product evalution activity 114
Critical technologies plan 115
Undefinitized contractural actions 115
Competitive prototype strategies 116
Negotiation of subcontracting plans 116
Small Business Administration certificate of competency program 117
Procurement of critical spare parts 117
Independent research and development 117
Senior acquisition positions 118
Price-only competition 118
Nondevelopmental items 119

Title IX—General Provisions:

Transfer authority 120
Fiscal year 1988 defense funds transfer authority 120
Supplemental authorization for fiscal year 1988 121
Limitation on obligation of unauthorized defense appropriations 131
Sense of Congress on expanding confidence-building measures 133
Development of a comprehensive arms control strategy 134
Acquisition and cross-servicing agreements with allied countries 134
Waiver authority for certain charges in connection with certain sales to NATO 135
NATO integrated brigades or battalions 135
Tank barriers 136
Repeal of requirement relating to purchases of anthracite coal in fiscal year 1988 136
Advance payment of administrative claims 136
Court of Military Appeals retirement revisions 137
Voluntary legal assistance 137
Purchase of alcoholic beverages for resale on military installations 137
Authority to lease aircraft for fleet electronic warfare support group activities 138
Special operations airlift 138
Special operations targeting 138
Base closure provision 139
Fibrous carbon thermal insulation 140
DIVISION B—MILITARY CONSTRUCTION AUTHORIZATION 141
Background 142
Committee action—fiscal year 1989 142
Strategic homeporting 147
Portsmouth naval shipyard 147
Acquisition of wherry units at Naval Air Station Glenview, Illinois 147
Senior officer housing 148
Brooke Army Medical Center 148
Authority to cost share construction of AFCENT dependent school 148
Resiting of overseas contingency medical facility 149
Air National Guard design funds 149
Change to long-term facilities contract amortization 149
Change to the rental guaranty housing program 149
Authority for community planning assistance 150

Page

DIVISION B—MILITARY CONSTRUCTION AUTHORIZATION—Continued
Real estate reporting requirements 150
Technical change to military construction cost variation authority 150
Government rental housing program 150
Community impact planning assistance 151
Navy National Capitol Region lease solicitation 151
Land exchange, San Diego 151
Flood control improvements, Orange County, California 151
Land transfer, Suitland, Maryland 152
Fort Jackson, South Carolina 152
Walter Reed Army Medical Center 152
Nellis Air Force Base hospital replacement 152
National Guard and Reserve forces in North Dakota 153
Reserve component field training sites 153
Cold regions research and engineering laboratory child care center 153
Communications systems laboratory, Charleston, South Carolina 154
DIVISION C—OTHER NATIONAL DEFENSE AUTHORIZATIONS 156
Title XXXI—Department of Energy National Security Programs:
Environmental restoration of Department of Energy defense facilities 155
Funding consistent with modernization of the nuclear weapons complex 156
Thermal mitigation project 156
Plutonium recovery modification project 157
Nuclear directed energy weapons in support of the Strategic Defense Initiative 157
Short range attack missile (SRAM) 158
N-Reactor 158
National laboratory verification research 158
Inertial confinement fusion (ICF) 159
New production reactor 160
Waste isolation pilot plant 160
Waste isolation pilot plant roads 160
Los Alamos County buy-out 161
Special isotope separation project 161
National security organization of the Department of Energy 162
Nuclear Weapons Council 162
Establishment of independent safety board 162
Title XXXII—National Defense Stockpile 168
Title XXXIII—Civil Defense Programs of the Federal Emergency Management Agency 169
Departmental recommendations 170
Committee action 170
Fiscal data 171
Congressional Budget Office letter and estimate 173
Regulatory impact 181
Changes in existing law 181
Additional views of Mr. Exon 182
Additional views of Mr. Levin 184
Additional views of Mr. Kennedy 187
Additional views of Mr. Wirth 190
Supplemental views of Mr. Symms 194

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MAY 4, 1988.—Ordered to be printed

Filed under authority of the order of the Senate of April 27 (legislative day, April 25), 1988

Mr. NUNN, from the Committee on Armed Services, submitted the following

REPORT

together with

ADDITIONAL AND SUPPLEMENTAL VIEWS

[To accompany S. 2355]

The Committee on Armed Services reports favorably an original bill to authorize appropriations during the fiscal year 1989 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes, and, recommends that the bill do pass.

PURPOSE OF THE BILL

This bill would:

(1) authorize appropriations for (a) procurement, (b) research, development, test and evaluation, (c) operation and maintenance and the revolving and management funds of the Department of Defense for fiscal year 1989;

(2) authorize the personnel end strength for each military active duty component of the Armed Forces for fiscal year 1989;

(3) authorize the personnel end strengths for the Selected Reserve of each of the reserve components of the Armed Forces for fiscal year 1989;

(4) authorize the annual average military training student loads for each of the active and reserve components of the Armed Forces for fiscal year 1989;

(5) impose certain reporting requirements;

(6) impose certain limitations with regard to specific procurement and RDT&E actions and manpower strengths; provide certain additional legislative authority, and make certain changes to existing law;

(7) authorize appropriations for military construction programs of the Department of Defense for fiscal year 1989;

(8) authorize appropriations for national security programs of the Department of Energy for fiscal year 1989;

(9) authorize appropriations for civil defense, including programs of the Federal Emergency Management Agency for fiscal year 1989;

(10) provide supplemental authorization for certain defense programs, projects and activities for fiscal year 1988; and

(11) provide increased authority to transfer authorizations between defense accounts during fiscal year 1988.

BUDGET EFFECT OF THE COMMITTEE BILL

The administration's request for the national defense function of the Federal budget for fiscal year 1989 is $299.5 billion in budget authority. Of the $299.5 billion requested, $221.0 billion is for programs which require authorization. These programs include procurement, research and development, operation and maintenance, revolving and management funds, military construction and family housing, weapons programs of the Department of Energy, and civil defense. The bill reported by the committee includes a recommendation for fiscal year 1989 of approximately $221.0 billion for the above accounts, the same amount as requested by the President.

The funding included in the bill is substantially less than the functional ceiling for national defense. The primary reason for this is that, although the military end strengths and pay raise require authorization in this bill, the actual funding for military pay and benefits (approximately $78.5 billion) is not reflected in this legislation.

The budget summit between the President and the Congress last November resulted in an agreement that national defense spending for fiscal year 1989 would be $299.5 billion. The President's budget request was for $299.5 billion. The committee bill meets the budget authority and outlay targets of the budget summit agreement and the fiscal year 1989 budget resolution.

The following chart summarizes the funding recommendations of the committee.

SUMMARY OF FUNDS RECOMMENDED FOR AUTHORIZATION (Dollars in Millions)

Account	Amended Request 1989	Senate Change	FY89 Senate Authorized
PROCUREMENT			
Aircraft Procurement, Army	2,791.5	3.4	2,794.9
Missile Procurement, Army	2,586.6	-44.8	2,541.8
Procurement of W&TCV, Army	2,960.6	-1.4	2,959.2
Ammuniton, Army	2,007.8	27.7	2,035.5
Other Procurement Army	4,774.0	7.2	4,781.2
Aircraft Procurement, Navy	8,980.0	96.2	9,076.2
Weapons Procurement, Navy	6,271.8	-78.7	6,193.1
Shipbuilding & Conversion, Navy	9,130.1	-74.0	9,056.1
Other Procurement Navy	4,789.7	46.5	4,836.2
Coastal Defense Augmentation	0.0	0.0	0.0
Procurement, Marine Corps	1,157.3	10.0	1,167.3
Aircraft Procurement, AF	16,630.0	-373.9	16,256.1
Missile Procurement, AF	8,158.0	-146.6	8,011.4
Other Procurement AF	8,393.5	-75.5	8,318.0
Procurement, Defense Agencies	1,216.1	-8.2	1,207.9
Natl Guard & Reserve Equipment	0.0	443.0	443.0
Chemical Munitions Destruction	162.9	11.6	174.5
Total Procurement	80,009.9	-157.5	79,852.4
RESEARCH AND DEVELOPMENT			
RDT&E, Army	5,030.7	-22.3	5,008.4
RDT&E, Navy	9,216.2	58.4	9,274.6
RDT&E, Air Force	14,932.1	-210.4	14,721.7
RDT&E, Defense Agencies	8,667.8	38.4	8,706.2
Director Test & Evaluation	166.9	-16.0	150.9
Director Operational Test & Eval	143.4	-10.0	133.4
Total RDT&E	38,157.1	-161.8	37,995.3

SUMMARY OF FUNDS RECOMMENDED FOR AUTHORIZATION
(Dollars in Millions)

Account	Amended Request 1989	Senate Change	FY89 Senate Authorized
OPERATIONS AND MAINTENANCE			
O & M, Army	22,085.2	57.2	22,142.4
O & M, Navy	24,945.8	-66.1	24,879.7
O & M, Marine Corps	1,792.0	0.0	1,792.0
O & M, Air Force	21,950.0	-51.3	21,898.7
O & M, Defense Agencies	7,725.7	-88.8	7,636.9
O & M, Army Reserve	794.9	0.0	794.9
O & M, Navy Reserve	979.2	0.0	979.2
O & M, Marine Corps Reserve	77.5	0.0	77.5
O & M, Air Force Reserve	1,028.5	0.0	1,028.5
O & M, Army Natl Guard	1,797.0	8.3	1,805.3
O & M, Air Natl Guard	1,965.4	0.0	1,965.4
Rifle Practice	4.3	0.0	4.3
Court of Military Appeals	3.5	0.0	3.5
Environmental Restoration	500.0	0.0	500.0
Humanitarian Assistance	0.0	13.0	13.0
Total Operations & Maintenance	85,649.0	-127.7	85,521.3
REVOLVING AND MANAGEMENT FUNDS			
Army Stock Fund	321.9	-30.0	291.9
Navy Stock Fund	204.7	-20.0	184.7
Air Force Stock Fund	206.9	-20.0	186.9
Defense Stock Fund	30.0	0.0	30.0
National Defense Stockpile	0.0	0.0	0.0
Total Revolving/Management Funds	763.5	-70.0	693.5

SUMMARY OF FUNDS RECOMMENDED FOR AUTHORIZATION
(Dollars in Millions)

Account	Amended Request 1989	Senate Change	FY89 Senate Authorized
MILITARY CONSTRUCTION			
Milt Construction, Army	895.0	-1.0	894.0
Milt Construction, Navy	1,594.2	-74.9	1,519.3
Milt Construction, Air Force	1,273.6	-57.8	1,215.8
Milt Construct, Defense Agencies	712.0	-28.6	683.4
NATO Infrastructure	502.1	-10.1	492.0
Milcon, Army National Guard	138.3	46.9	185.2
Milcon, Air National Guard	147.5	4.3	151.8
Milcon, Army Reserve	79.9	4.3	84.2
Milcon, Navy Reserve	48.4	16.7	65.1
Milcon, Air Force Reserve	58.8	4.8	63.6
Total Military Construction	5,449.9	-95.5	5,354.4
FAMILY HOUSING			
Family Housing, Army	1,528.3	-5.0	1,523.3
Family Housing, Navy/Marines	795.4	21.3	816.8
Family Housing, Air Force	923.0	-3.5	919.5
Family House, Defense Agencies	20.7	0.0	20.7
Homeowners Assistance Fund	2.0	0.0	2.0
Total Family Housing	3,269.4	12.8	3,282.2
Davis-Bacon/Service Contract Act	-310.0	310.0	0.0
Allowance, Proposed Legislation	-239.3	239.3	0.0
TOTAL DEPARTMENT OF DEFENSE	212,749.4	-50.4	212,699.0
DOE NATIONAL SECURITY PROGRAMS	8,100.0	65.8	8,165.8
FEMA Civil Defense Salaries	28.3	-4.4	23.9
FEMA Civil Defense Planning	132.1	-20.6	111.5
TOTAL OTHER DEFENSE	160.4	-25.0	135.4
TOTAL NATIONAL DEFENSE	221,009.8	-9.6	221,000.2

FINDINGS OF THE COMMITTEE'S HEARINGS

The committee and its subcommittees conducted a total of 45 hearings in review of the President's amended defense authorization request for fiscal year 1989. The findings of these hearings are described below.

Subcommittee on Strategic Forces and Nuclear Deterrence

The Subcommittee on Strategic Forces and Nuclear Deterrence held fourteen hearings in review of the amended fiscal year 1989 defense budget request. In addition, the subcommittee held five hearings last fall on the issue of safety oversight at defense-related production facilities of the Department of Energy; those hearings form the basis for the committee's actions on safety oversight in this bill.

The subcommittee recognizes that major improvements in our strategic and theater nuclear forces have occurred, many of which have been under way since the 1970s. For most of the decade, a vigorous strategic modernization program has been in place, one which has already produced new and expanded capabilities in all three legs of the strategic triad, and in the redundancy, survivability and connectivity of our strategic command, control and communications. As it did last year, the subcommittee recognizes that serious shortfalls and problems continue to exist in conventional forces and readiness and sustainability accounts. In a period of flat or declining defense budgets in real terms and substantial unmet needs outside the strategic forces area, priorities for strategic programs must be clearly established and strategic programmatic requests must be reviewed with special scrutiny.

The subcommittee's major concern identified this year from hearings is the extent of the unfunded liabilities in the defense programs of the Department of Energy. For many years, the Department and its predecessor agencies operated in ways that today are unacceptable on environmental, health, or safety grounds. At the same time, insufficient funds were allocated to the Department in the Federal budget to allow for replacement of obsolescent plant and equipment. The end result today is a largely worn-out physical plant which demands ever-increasing funds to repair, maintain and operate. Last year, this committee took the first step in replacing needed plant and equipment by directing the Department to plan for a new production reactor. But numerous other facilities in other locations require replacement at a cost of many tens of billions, and the Department of Energy's current budget level is inadequate even to fund the new production reactor. In the environmental restoration area, the probable costs are also large, perhaps more than $50 billion, by some estimates. Clearly, expenditures of this magnitude cannot be funded from historic budget levels allocated to DOE national security programs.

Subcommittee on Conventional Forces and Alliance Defense

The Conventional Forces and Alliance Defense Subcommittee has responsibility for reviewing our major conventional defense commitment—the conventional defense of Europe and North East Asia. The subcommittee oversees the unified commands assigned those responsibilities. To complement those duties, the subcommittee is responsible for reviewing the development and procurement proposals for the conventional weapon systems required to meet those military requirements.

The subcommittee is assigned oversight over approximately 13 percent of the budget request. Under its jurisdiction are all land combat systems in the Army, tactical aircraft in the Army, Navy, and Air Force, missile systems launched from those combat aircraft, as well as related other procurement. The subcommittee has oversight duties over approximately $7.3 billion in research development, test and evaluation in the fiscal year 1989 budget request.

The subcommittee held detailed hearings last fall on the status of our conventional defense capabilities in NATO, as well as specific hearings on key issues this spring. Those hearings and other analyses brought to light the following major deficiencies.

ARMOR-ANTIARMOR ASSESSMENT

In 1985 the Defense Science Board Task Force examined the armor-antiarmor competition between the Soviet Union and the United States. The principal finding of that study was that the Soviet Union had a quantitative and qualitative advantage over the United States, and was widening that qualitative advantage at an alarming rate. Then Secretary of Defense Caspar Weinberger, receiving the task force's summary and recommendations, called the armor-antiarmor situation a matter of national urgency.

Three years have passed since the task force conducted the study and little progress has been registered in reversing this situation. For too long the Army resisted efforts to proceed vigorously, interpreting the task force recommendation as a critique rather than a constructive net assessment. Recent intelligence information has led to a review of this situation and a new commitment by the Army to reverse the deteriorating armor-antiarmor balance.

The Senate held detailed hearings this spring on the implications of the INF Treaty on the military security of the NATO Alliance. One of the key conclusions of those hearings was that the alliance should strengthen conventional defense capabilities. After detailed assessment of both classified and unclassified information, the committee has concluded that a major initiative to reverse the armor-antiarmor situation merits a high national priority.

TACTICAL AIR FORCES IN THE AIR FORCE AND NAVY

The committee is concerned over the state of Naval and Air Force tactical air forces, and that resource allocations in the budget as submitted by the department do not parallel the key problems and requirements in the area of tactical air forces.

During the past three years the Air Force has reduced its force structure goals from 40 tactical fighter wings to 35 tactical fighter wings. In meeting this lower force structure requirement, the Air Force intends to slow down procurement of new aircraft and retire existing combat aircraft early.

The Navy, by contrast, has a shortfall of combat aircraft. Naval force structure requirements are growing due to transitioning to notional airwings, yet the planned establishment of the 14th active carrier air wing has been delayed due to budget constraints. For the 14 active air wing force structure, the Navy will be short between 160 and 190 aircraft by 1994 (again the same time that the aircraft procured through 1992 are delivered to the fleet).

The shortage of aircraft in the Navy is reflected in an increase in the average age of the fleet. The average age of Navy fighter and attack aircraft, projected over the next five years, will increase from 10.3 years in 1988 to 10.7 years by 1994. Over the same period the Air Force fleet will age from 9.7 years in 1988 to 11.2 years in 1994. The Navy is forced to operate in more difficult operational and taxing environmental conditions. Where the Air Force has a goal of maintaining an average fleet age of 10 years, the Navy has a goal of an average of 7.5 years. Thus, by 1994, the Navy will exceed its age goal by 43 percent, while the Air Force will exceed its goal by 12 percent.

The committee believes the Department has to face up to several serious questions concerning tactical aircraft. The committee notes that the Navy does not have sufficient resources to buy adequate numbers of combat aircraft, resulting in an aging force with serious management problems. The Air Force, by contrast, is facing serious stretchouts in production lines that will drive up unit costs. Further, both services are developing new generation aircraft which the other service intends to procure for its forces.

The committee directs the Secretary to develop a comprehensive plan for removing inequities between the services, improving management of existing assets, and retaining efficient production rates while shifting over to follow on new generation systems. These goals are difficult at any time, but are much more complex during a period of static or declining budgets. The committee believes the department should develop a comprehensive management plan for tactical aircraft that involves all the services, relating near-term and long-term modernization plans to force structure. The committee is especially concerned over the deteriorating condition of naval aviation, and the mismatch between Navy capital ships and aircraft inventories. The committee believes this problem deserves special attention in the tactical aircraft master plan.

CLOSE AIR SUPPORT

The committee has concluded that the Air Force has devoted insufficient attention to the area of modernizing close air support. The Air Force has programmed to spend some $13 billion to develop a new generation air to air fighter, but has budgeted virtually nothing to develop a new generation replacement aircraft for close air support.

Rather than seriously address the close air support issue, the Air Force has sought to redefine the problem so it need not procure an aircraft specifically designed to support the Army in close combat situations. The Air Force has stated that it prefers to procure F-16 aircraft to use for close air support and battlefield air interdiction, despite the fact that analysis conducted by the Air Force Science

Advisory Board concluded that the F-16 would not be a good aircraft for the close air support mission and that funds should be devoted to developing a more appropriately-designed aircraft.

The committee questions the commitment of the Air Force to close air support when it chooses to invest $13 billion for its preferred missions while investing virtually nothing in modernizing the close air support mission. The committee believes an investment plan balancing all missions within budget constraints is essential.

SUBCOMMITTEE ON PROJECTION FORCES AND REGIONAL DEFENSE

The Subcommittee on Projection Forces and Regional Defense is responsible for oversight of the military missions of defense of Southwest Asia and defense of other regions where the United States does not have substantial forces deployed in peacetime. The subcommittee also reviews policies and programs for the missions of sea control and maritime force projection in regional areas as well as in NATO and East Asia.

The subcommittee is responsible for those budget elements of research and development and procurement related to these missions, including shipbuilding and conversion (excluding strategic forces), naval aviation (excluding carrier-based aircraft), Marine Corps (excluding tactical aviation), airlift and sealift, and Special Operations Forces.

Hearings associated with the Amended Defense Authorization Request for fiscal year 1989 focused on issues of naval force structure balance and affordability and fast sealift deficiencies.

The Department of Defense, the General Accounting Office and the Congressional Budget Office responded to an amendment to the National Defense Authorization Act for Fiscal Years 1988 and 1989 that requested estimates of savings associated with restricting the growth of aircraft carrier force levels to 14 deployable ships. The savings was identified as varying between $1 billion to $5 billion depending on certain assumptions.

A principal finding identified that the Navy is facing major block obsolescence in several categories of warships and the problems of funding these requirements could cause further force structure imbalance threatening the warfighting integrity of the force.

Another principal finding verified that strategic mobility continues to be a major weakness in carrying out U.S. military strategy. The fast sealift component of strategic mobility remains the critical gap in our capabilities. This strategic deficiency could make moot our investments in airlift and NATO conventional force improvements, as well as other projection forces investments. Despite the existence of this weakness for a number of years, there exists no conceptual or programmatic approach to its resolution.

SUBCOMMITTEE ON DEFENSE INDUSTRY AND TECHNOLOGY

The subcommittee continued efforts begun last year to develop policies for sustaining and strengthening the Nation's defense industrial and technological bases. Last year the subcommittee took a broad view of the issues as it sought to gain an understanding of the strengths and weaknesses in these important underpinnings of our national security strategy that relies on qualitatively superior systems. This year, the subcommittee sought to address more specific issues, recognizing that the industrial and technological bases do not lend themselves to simple, one-dimensional analysis or policies.

Building on last year's hearings, the subcommittee this year examined some of the trade-offs in defining policies for our technological and industrial bases. The subcommittee was especially interested in policy decisions affecting the defense acquisition system that strengthen innovation, encourage risk-taking, provide a framework for working with our allies, and speed the insertion of advanced technology into deployed weapons systems—including those of our allies. The hearings highlighted that our policies in these areas must be viewed as a whole and the interrelationships better understood.

Last year, the subcommittee took several steps to couple more closely our defense industrial base and technology base programs. The subcommittee continues to believe the linkage between the industrial base and our technological strength must be understood and supported. Throughout the subcommittee's hearings, witnesses stressed the need to establish policies that recognize the U.S. defense industrial base as a national asset, and that provide a focused approach for reversing its declining ability to provide technologically superior defense systems in a timely fashion. The following are key findings from the hearings.

TECHNOLOGY BASE

The amended fiscal year 1989 funding request is not sufficient to reverse the years of erosion in DOD technology base funding and in the core research of the DOE weapons laboratories. In addition, testimony before the subcommittee provided firm evidence that the independent research and development (IR&D) programs of industry have suffered from congressionally imposed caps on IR&D and bid and proposal costs and the necessity for growing bid and proposal expenditures in an increasingly competitive environment. Concerning technology base management, a Defense Science Board report on the matter was introduced at the subcommittee's first hearing that identified serious management problems in our defense technology base. To address the funding problems, the committee has proposed modest increases in technology base funding.

DEFENSE INDUSTRIAL BASE

Witnesses before the subcommittee expressed serious concerns with the trends in our defense industrial base. These witnesses stressed that erosion of capability in our manufacturing sector is widespread and amply demonstrated by trade statistics in manufacturing and high technology products. Even in the defense area, where the U.S. defense R&D investment is at least double the combined investment of our NATO and Japanese allies, the trends are adverse.

The subcommittee believes that the search for the causes of this decline involves looking beyond the defense industry and beyond our own shores. Increasingly, innovation from outside the defense sector has profound impacts on military systems. Whereas thirty years ago the Department of Defense was the largest consumer of advanced product and process technologies, today military needs are a relatively small share of the market for many high-technology items, and the commercial sector often is in front of defense contractors in developing the producing technologically advanced systems.

The hearings lead to the conclusion that our allies pursue defense industrial base and defense trade policies designed to protect jobs. This results in an inefficient use of alliance defense resources and the inability of the United States to capitalize on its comparative advantage in this sector. These governments use their monopsony power in their own defense markets to extract offset, technology transfer, and counter-trade arrangements from individual U.S. firms seeking to do business with them. Civilian industrial base policies of other countries, including our allies, often target technologies with potentially profound defense implications, even though the defense market is relatively small.

The hearings also pointed to a clear trend toward internationalization of the western defense industry. U.S. and foreign firms increasingly enter teaming arrangements to gain better access to each other's markets. With the fall in the value of the dollar and relatively low stock prices for U.S. defense firms, outright acquisitions of major U.S. defense firms are likely to accelerate.

The subcommittee concluded that the United States is ill-prepared to deal with these problems, and our defense industrial base and defense trade policies appear unfocused. The Defense Department needs to define *realistic* industrial base goals in the context of our national security strategy and likely military scenarios. Overall autonomy, as the United States enjoyed in 1945, is *not* a realistic, or necessarily a desirable, goal for ourselves or our allies. Pursuit of such a goal by individual nations contributes to duplicative research programs and inefficient production rates across the alliance, what some have termed "structural disarmament." This is one of the key reasons the committee has so strongly supported the NATO Cooperative R&D Program and side-by-side testing.

In working out defense industrial base and defense trade policies with our allies, the United States needs to be sensitive to U.S. economic interests. The rationalization needed in the alliance's defense industry will not receive necessary support if it is perceived that the United States is making unequal concessions.

There is evidence, however, that the Defense Department is beginning to respond to the need for a strong, vibrant industrial base. The Undersecretary of Defense for Acquisition has requested a Defense Science Board study of the problem; he has established a Defense Manufacturing Board to address industrial base issues; and he has had under review for some time a Defense Industry Initiative that proposes specific actions to correct the underlying problems of the industrial base. The Deputy Secretary has ordered a review of the existing defense memoranda of understanding (MOUs) with our allies to determine where adjustments are needed to bring U.S. and allied economic interests into better balance. Thus far, however, there appears to be a great deal of rhetoric from the Defense Department about what the Department *will* do, but little seems to have been translated into actual practice. In particular, the connection between our defense industrial base and defense trade policies has not been adequately explored.

In terms of funding, the Manufacturing Technology (MANTECH) program is an area of very high payoff. Yet, with the exception of the Air Force, the services do not fund a robust MANTECH program and the Office of the Secretary of Defense has not exercised a strong leadership role vis-a-vis the services in this regard. As the committee noted last year, "Additional funding and centralized oversight are needed within the Office of the Secretary of Defense to develop a defense industrial strategy that coherently integrates defense industry and the technology base within the context of our international economic and defense policies." This statement remains valid.

ACQUISITION POLICIES AND MANAGEMENT

In the subcommittee's hearings, repeated references were made to the hostile, adversarial, and counterproductive relationship between government and industry. Witnesses from both government and industry agreed that this was a significant problem that needed to be addressed. In an effort to promote a constructive dialogue between government and industry, the subcommittee established an Ad Hoc Defense Industry Advisory Group to identify those aspects of the acquisition process that stifle innovation, drain good talent away from defense industries, and threaten our technological and industrial lead. The Advisory Group identified a number of issues and submitted a report early this year, which was circulated widely in order to provide the subcommittee with a broad range of views. A legislative package, S. 2254, was then introduced and reviewed during the subcommittee's oversight hearings.

Based upon the Advisory Group's report, the numerous comments submitted on the Report from both the public and private sectors, and the testimony received during the subcommittee's oversight hearings, several general themes emerged. First, people are the key to the effectiveness of the acquisition process, and we must give priority attention to enhancing the quality of the procurement workforce. Second, the acquisition process is beset by cumbersome and contradictory policies that act as a disincentive to innovation and produce delay in fielding new weapons systems. Third, to achieve significant savings in defense expenditures, DOD must focus its attention on costs, which is the major component of contract prices, rather than on profit. This will require a rigorous review of nonvalue added regulations and acquisition practices. Fourth, government and industry must work together to foster a sense of trust and confidence in an environment that establishes clear lines of responsibility and firm procedures for accountability. Fifth, acquisition changes often have been justified in terms of addressing isolated elements of procurement policy without regard to the system-wide impact of such changes. Finally, the acquisition system is suffering from regulatory overload as a result of the demanding task of implementing numerous legislative and internal changes in recent years. As a consequence, managers must spend excessive time revising and disseminating procedural changes, to the detriment of their ability to manage their programs.

Although the system must be allowed to fully digest recent changes before undertaking major system-wide innovations at this time, there are a number of modifications which can be made this year without creating an undue burden for either government or industry. These matters are considered in Title VIII of the bill.

SUBCOMMITTEE ON READINESS, SUSTAINABILITY AND SUPPORT

The Subcommittee on Readiness, Sustainability and Support has a broad charter to oversee two key measures of our military capability—the ability to go to war today and the ability to sustain deployed forces as required during conflict. The subcommittee is responsible for reviewing those elements of the annual Defense Authorization request which are associated with the operation and maintenance of our military forces and with those items of procurement particularly related to readiness and sustainability, such as conventional ammunition and spare parts. The subcommittee also oversees the operation of the Revolving and Management Funds and reviews the budget request for military construction and family housing.

In its review of the Amended fiscal year 1989 Defense Authorization request, the subcommittee received testimony from designated representatives of four of the unified combatant commanders; from the senior logistics commanders in the Army, Navy and Air Force; from Army and Air Force officials responsible for managing ammunition programs, as well as from a panel of private sector ammunition production experts; from witnesses of the Office of the Secretary of Defense on overseas military construction programs and ongoing base rights negotiations; and from General Accounting Office and Army witnesses on the readiness of Army combat support and combat service support units. The hearings provided the subcommittee with an overview of the recent achievements and remaining problems throughout the Department of Defense in the areas of readiness, sustainability and support, and how the Amended Fiscal Year 1989 Defense Authorization request addresses these problems.

Last year in the committee's report on the Fiscal Year 1988/89 Defense Authorization Bill, the subcommittee expressed concern that the fiscal year 1988/89 budget jeopardized the substantial gains in readiness and sustainability in recent years. This concern is even greater this year.

Last fall's Deficit Reduction Agreement between the President and the Congress resulted in deep reductions in the operation and maintenance accounts for fiscal year 1988 which are having an impact throughout the force. Although the Amended Fiscal Year 1989 Defense Authorization request was reduced $33 billion below the level for fiscal year 1989 originally requested in the biennial fiscal year 1988/89 budget, the Defense Department tried to restore some of the fiscal year 1988 reductions in the Amended Fiscal Year 1989 Budget. However, the subcommittee's hearings demonstrated that important readiness and sustainability programs are still seriously underfunded in the Amended Fiscal Year 1989 Budget. This underfunding will create problems which will have an impact on the readiness and sustainability of our forces for a number of years to come.

READINESS OF THE FORCE REMAINS HIGH

According to the witnesses testifying before the full committee and the Readiness, Sustainability and Support Subcommittee, the day-to-day readiness of our military forces remains high. However, as Admiral Lee Baggett, Jr., the Commander in Chief of U.S. Atlantic Command, noted before the full committee:

> The outstanding readiness condition of our forces today reflects prior year commitment to funding of spare parts, depot level maintenance, end strength and personnel pay and benefit programs . . . It will take time for ships, aircraft squadrons and battalions to draw down spare parts stock levels, and for equipment reliability to decline.

The impact of recent reductions in operation and maintenance funding and in spare parts and other sustainability funding is not far off. Admiral Baggett also noted that:

> . . . it is safe to say readiness within the Atlantic Command has leveled off and the positive trend of the last eight years will likely be reversed.

SUSTAINABILITY FUNDING REDUCED TO MAINTAIN READINESS

Last year the subcommittee noted that sustainability—the staying power of our military forces once they are deployed—was one of the greatest concerns of the Unified Commanders-in-Chief. The subcommittee found these concerns to be even greater this year.

Admiral Ronald J. Hays, Commander in Chief of U.S. Pacific Command, noted that:

> Today, with good hardware and trained people we are ready to fight, even though problems in sustainment would develop because of insufficient war reserve stocks and limited industrial surge production capabilities.

General George B. Crist, the Commander in Chief of U.S. Central Command, noted that:

> Although munitions sustainability has shown some improvements over the last year, the posture, especially for Level-of-Effort (LOE) munitions, continues to be a genuine concern. In fiscal year 1987 on-hand stocks of LOE munitions improved by 1 percent. The shortfalls are primarily in the modernized direct fire and artillery munitions, in support of ground forces.

General Thomas C. Richards, the Deputy Commander in Chief of U.S. European Command, testified that:

> Warsaw Pact forces deployed against the Central Region of NATO have sixty to ninety days of operational spares and supplies forward deployed. Our own stocks in Europe do not compare. Serious shortages remain in certain ground-to-air munitions, high technology surface-to-surface rounds, and antiradiation missiles, and in the readiness of

support forces. They are compounded by continuing shortfalls in the areas of strategic sea and airlift.

The subcommittee found that the sustainability picture will not improve in the next several years. Witnesses before the subcommittee acknowledged that in the Amended Fiscal Year 1989 Budget, the military services made a conscious decision to protect near-term readiness at the expense of sustainability. The Amended Fiscal Year 1989 Budget preserves funding for training and operating tempo—flying hours, steaming days and training exercises—while funding for spare parts, depot maintenance and ammunition has been cut back.

For the second consecutive year, for example, the Air Force spare parts budget request in fiscal year 1989 only contains funds to support peacetime flying operations. It does not include any funds to build war reserve sustainability stocks of spare parts. In constant dollars, the Army level-of-effort ammunition request in the Amended Fiscal Year 1989 Budget is the lowest since fiscal year 1981. The Air Force level-of-effort ammunition request for fiscal year 1989 is the lowest since fiscal year 1981, except for fiscal year 1988; it represents a slight increase over the fiscal year 1988 level.

General Alfred G. Hansen, the Commander of the Air Force Logistics Command, testified that:

> . . . while we have got good readiness at this time, we are losing ground in all areas of sustainability. And of course that is what is required in any conflict that we may have. Basically, as I look into the future, I portray the United States Air Force as a peacetime Air Force, as opposed to a warfighting Air Force with the capability to sustain itself.

This emphasis on readiness over sustainability not only jeopardizes the future combat staying-power of our forces, but it will also ultimately result in lower readiness of our military forces. General Louis C. Wagner, the Commander of the U.S. Army Materiel Command, pointed out that:

> Readiness in the Army today as you said is the highest it has ever been. But . . . unless we can correct some of the problems we have in my organization for supporting that and sustaining it over time, it has got to drop. Because I am taking out of stocks today what I need if we went into contingency mission for example, those are going to go down and we will live off of those. But we eventually get to the bottom and readiness is going to drop.

GROWING EQUIPMENT MAINTENANCE BACKLOGS A SERIOUS THREAT TO READINESS

The dramatic growth in the backlog of depot maintenance in all of the military services since fiscal year 1986 is a matter of particular concern to the subcommittee. These backlogs reached a peak in fiscal year 1988 in the Army and Air Force as a result of the large reductions in operations and maintenance funding required to meet the outlay targets of the Deficit Reduction Agreement. The Navy's backlog of depot maintenance continues to increase in fiscal year 1988 level.

In fiscal year 1988, the Army is funding only 83 percent of its annual depot maintenance requirement, and is projecting a depot maintenance backlog of $311 million by the end of fiscal year 1988. The picture improves only slightly in fiscal year 1989. The Amended Fiscal Year 1989 Budget request funds only 87 percent of the Army's annual depot maintenance requirement, and projects a backlog of $268 million.

The Air Force depot maintenance program goes from a depot maintenance backlog of zero in fiscal year 1985 to $818 million in fiscal year 1988. The executable backlog in the Air Force drops to $462 million in fiscal year 1989, although the total Air Force depot maintenance backlog rises to $1.5 billion in fiscal year 1989 because of the carryover from prior years.

These large depot maintenance backlogs will begin to have an impact on equipment availability and mission capable rates in all of the services in the near future. General Hansen, for example, noted that in the Air Force "At the end of this year we are going to see airplanes without engines."

LOW LEVEL OF READINESS OF COMBAT SUPPORT AND COMBAT SERVICE SUPPORT UNITS

For the last two years all of the representatives of the unified combatant commands who testified before the Readiness, Sustainability and Support Subcommittee indicated that the low level of readiness of the ground combat support and combat service support units was one of their major readiness and sustainability problems. Combat support and combat service support units include functions like maintenance, supply, transportation and medical care. Without these types of units our ground forces cannot sustain themselves in combat for any period of time.

This year the Readiness, Sustainability and Support Subcommittee and the Manpower and Personnel Subcommittee held a joint hearing on the readiness posture of the Army's combat support and combat service support units. The two subcommittees found the concerns of the unified combatant commanders to be well-founded. Equipment shortages, shortages of personnel and lack of skill training for people in the units all contribute to the general low level of readiness of these types of units.

The Army has made some progress in improving the readiness of the units in the last few years, but a great deal more remains to be done. The overall readiness status of these units, particularly those units in the Army Reserve and the Army National Guard, raises serious questions about the long-term sustainability of our ground forces in combat.

COMMITTEE'S APPROACH TO READINESS, SUSTAINABILITY AND SUPPORT PROGRAMS

The committee's actions in the areas of readiness, sustainability and support were shaped by the testimony drawn from the hearings.

First, the committee preserved the overall level of funding for readiness and sustainability programs in the Amended Fiscal Year 1989 Budget.

Second, the committee identified areas of the budget where funding shortfalls will cause readiness and sustainability problems in the future. The committee was able to reallocate some funds from lower priority areas in order to increase funding for some of these underfunded areas. Funds for Army, Navy and Air Force depot maintenance programs, for example, were increased above the Amended Fiscal year 1989 Budget request.

Finally, in making adjustments to the military construction request, the committee attempted to preserve projects which promised near-term readiness enhancements and those supporting new systems and quality of life, particularly at austere locations. However, the committee also reviewed certain on-going military construction projects in light of the proposed force structure reductions contained in the Amended Fiscal Year 1989 Budget and further force structure adjustments anticipated in the outyears of the Five Year Defense Program.

SUBCOMMITTEE ON MANPOWER AND PERSONNEL

This year, the Subcommittee on Manpower and Personnel conducted four hearings in preparation for its action on the manpower portion of the amended Department of Defense budget request for fiscal year 1989. In addition, the subcommittee held a joint hearing with the Subcommittee on Readiness, Sustainability and Support on the issue of the readiness of Army Reserve and National Guard combat support and combat service support units, an issue on which the subcommittee expressed concern last year.

Since the Congress authorized a two year budget for the Department of Defense last year for fiscal years 1988 and 1989 respectively, the subcommittee focused on the changes proposed in the amended budget request for fiscal year 1989, and on new initiatives aimed at improving the retention and management of military personnel in the Total Force. The recommendations of the subcommittee are based on the testimony of Department of Defense and General Accounting Office (GAO) witnesses, and reports and other information furnished by the Department of Defense, Congressional Budget Office, and the General Accounting Office.

The basic philosophy of the subcommittee in addressing the amended budget request was to support the hard choices the Department of Defense had to make in arriving at the budget level agreed to at the budget summit last year. In following this philosophy, the subcommittee followed the principle that the hard-won gains in personnel readiness should be protected, that manning levels should adequately support the programmed force structure, and that military personnel should be treated equitably in terms of compensation and benefits.

On the whole, the subcommittee believes the Department of Defense has submitted a responsible amendment to the manpower portion of the fiscal year 1989 budget authorized last year. Although strength levels have been reduced in both the active and reserve components, the subcommittee has received testimony from

Department of Defense witnesses that the reduction will not impair the combat capability of programmed forces.

However, the subcommittee remains concerned about the readiness of Army Reserve and National Guard combat support and combat service support units that are relied upon to provide 70 percent of the Army's wartime combat support and combat service support requirements. What is troublesome to the subcommittee is that 55 percent of these units are rated as not combat ready, with especially serious shortfalls in the medical elements that are virtual war stoppers. These problems require immediate and sustained attention.

DIVISION A—DEPARTMENT OF DEFENSE AUTHORIZATION

TITLE I—PROCUREMENT

The recommendations of the committee for the procurement of various defense weapons and equipment appear in the following pages.

EXPLANATION OF TABLES

The tables in this title display items requested by the administration for fiscal year 1989 in which the committee either increased or decreased the requested amounts. Items that are not displayed have been approved by the committee in the fiscal year 1989 amounts requested in the Department of Defense's amended budget justification documents. As in the past, the administration may not exceed the amounts approved by the committee (as set forth in the tables or, if unchanged from the administration's request, as set forth in the Defense Department's budget justification documents), without an appropriate reprogramming action in accordance with established procedures.

CHANGES TO ARMY PROCUREMENT

P-1 LINE	ITEM	FY 1988 Estimate Quantity	FY 1988 Estimate Amount	Original FY 1989 Request Quantity	Original FY 1989 Request Amount	Revised FY 1989 Request Quantity	Revised FY 1989 Request Amount	Senate Change to Request Quantity	Senate Change to Request Amount	Senate Authorization Quantity	Senate Authorization Amount
	TOTAL AIRCRAFT PROCUREMENT ARMY		2,718,406		2,229,539		2,791,500		3,400		2,794,900
	TOTAL MISSILE PROCUREMENT ARMY		2,320,751		2,923,200		2,686,600		(44,800)		2,641,800
	TOTAL WEAPONS AND TRACKED COMBAT VEHICLE		3,207,187		3,227,762		2,960,600		(1,400)		2,959,200
	TOTAL AMMUNITION ARMY		2,273,592		2,194,755		2,007,800		27,736		2,035,536
	TOTAL OTHER PROCUREMENT ARMY		5,112,707		6,030,274		4,774,000		7,154		4,781,154
	TOTAL ARMY PROCUREMENT		15,632,643		16,605,530		15,120,500		(7,910)		15,112,590
	CHANGES TO REQUEST										
8	AH-64 ATTACK HELICOPTER (APACHE)	77	852,186	0	77,705	72	809,078		40,000	72	849,078
9	AH-64 ADVANCE PROCUREMENT (CY)	0	36,000	0	0		36,000		40,000		76,000
10	UH-60 BLACKHAWK (MYP)	72	435,700	72	475,568	72	428,368		(15,500)	72	412,868
20	CH-47 CARGO HELICOPTER (MODS)	0	229,617	0	246,187		235,487		(17,800)		217,687
21	CH-47 ADVANCE PROCUREMENT (CY)	0	57,200	0	83,800		84,400		(23,300)		61,100
31	ACFT SWW	0	25,797	0	23,978		23,978		(20,000)		3,978
	TOTAL AIRCRAFT PROCUREMENT ARMY								3,400		
4	ADS HVY MSL SYSTEM	0	0	709	263,986	60	118,500	(60)	(85,000)		33,500
12	STINGER PEDESTAL MOUNT	0	43,633	0	116,242		92,242		25,000		117,242
23	TOW MODS	0	18,021	0	26,077		19,087		15,200		34,287
	TOTAL MISSILE PROCUREMENT ARMY								(44,800)		
10	ABRAMS ADVANCE PROCUREMENT (CY)	0	168,000	0	146,100		212,100		44,100		256,200
11	M60 SERIES TANK TRAINING DEVICES	0	0	0	30,000		14,500		(14,500)		0
16	HOWITZER, MED SP FT 155MM M109 SER(MOD)	0	1,374	0	38,700		42,726		(17,500)		25,226
18	TANK, COMBAT, 105MM, GUN, M60SER (MOD)	0	60,100	0	36,600		9,900		(9,900)		0
25	PRODUCTION BASE SUPPORT (TCV-WTCV)	0	28,731	0	36,829		40,829		(9,800)		31,029
26	HOWITZER, LIGHT, TOWED, 105MM, M119	76	29,900	103	28,800	88	28,800		(8,800)	88	20,000
45	PRODUCTION BASE SUPPORT (WOCV-WTCV)	0	16,706	0	9,833		9,333		15,000		24,333
	TOTAL WEAPONS AND TRACKED COMBAT VEHICLES								(1,400)		
64	CTG, 105MM, TP-T, M490	41	4,928	141	17,543	120	14,893	(120)	(14,893)		0
67	CTG, 105MM, APFSDS-T, (XM900E1)	0	0	16	30,906			16	30,906	16	30,906
71	PROJ, 155MM DP BASEBLEED XM864	91	70,125	153	107,373	149	111,677	20	15,700	169	127,377
76	CHARGE, PROPELLING, 155MM, RED BAG M203	242	108,911	249	115,976	274	129,663	11	5,000	285	134,663
105	HYDRA 70 RKT, MPSM PRAC M267 WHD	27	14,095	23	14,040	8	3,788	(8)	(3,788)		0
106	HYDRA 70 RKT, HE/PD (M151/M423/MK66)	21	8,899	76	26,300	17	5,181	(17)	(5,181)		0
	TOTAL AMMUNITION ARMY								27,736		
2	MOTORCYCLE, GED, 2W, ROUGH TERRAIN	2,117	7,648	617	1,971	1,138	4,271	(1,138)	(4,271)		0
14a	REPEAL TRUCK LEGISLATIVE PROVISION						[-239,300]		[239,300]		0
116	ADV FIELD ARTILLERY TACT DATA SYS	0	26,000	0	78,715		57,715		(57,715)		0
157	NIGHT VISION GOGGLES	0	138,100	0	138,100		55,100		83,000		138,100
164	JOINT STARS (ARMY)	0	31,892	0	81,160		37,860		(37,860)		0
	SIMULATION NETWORK (SIMNET)								24,000		24,000
	TOTAL OTHER PROCUREMENT ARMY								7,154		

AH-64 ATTACK HELICOPTERS

The Army is interested in entering into a multiyear contract for the procurement of 72 AH-64 Apache helicopters in each of the next three years, despite the fact that the budget request proposes to terminate the program in 1991 and no funding was requested for the purchase of long lead items to support a multiyear request. The committee has also learned that the budget request for fiscal year 1989 is insufficient to procure 72 helicopters.

Because of the importance of the AH-64 helicopter in the armor-antiarmor balance, especially in a post-INF security environment in Europe, the committee is prepared to support a multiyear procurement request, subject to the following conditions:

(1) The Secretary of the Army provides to the Congress a detailed cost summary of the multiyear contract.

(2) The average unit cost (in fiscal year 1988 dollars) under the multiyear contract is not more than 90 percent of the average unit cost for AH-64 helicopters procured with funds authorized from fiscal year 1984 through 1987 (in fiscal year 1988 dollars), adjusted for quantity variation.

In order to guarantee the possibility of a multiyear contract, the committee recommends an increase of $40.0 million for advance procurement in fiscal year 1989. The committee also recommends an increase of $40.0 million for AH-64s procured in fiscal year 1989 in light of the insufficient funds requested for 72 helicopters in fiscal year 1989. Those funds may not be obligated, however, if the Department of the Army fails to successfully negotiate a multiyear contract that conforms to the conditions outlined above, and may not be obligated for helicopters that exceed the price of helicopters negotiated under the multiyear contract.

FORWARD AREA AIR DEFENSE SYSTEM LINE OF SIGHT HEAVY

The Army budget requests $85 million to procure the first production Forward Area Air Defense System (FAADS) Line of Sight Heavy fire units in fiscal year 1989, and $33.5 million for advance procurement for fiscal year 1990. The Army conducted a demonstration/competition last year to find a replacement for the DIVAD air defense system and selected the Air Defense Anti-Tank System (ADATS) for procurement.

Last year the committee expressed strong reservations about the procurement strategy for the FAADS program. The committee recalled that under the original DIVAD program, 60 percent of the funds for the program would have been appropriated before any results from operational testing had been made available to the Congress.

The Director of Operational Test and Evaluation reported on the FAADS program that "the proposed operational system will differ somewhat from the prototype presented for testing; it is not possible to predict the amount of engineering development and technical testing which will be required to support a decision to enter Low-Rate Initial Production (LRIP)."

The General Accounting Office (GAO) has reported serious and extensive flaws in the demonstration/competition tests that were held to select the ADATS system. GAO noted that the test shots were not representative of actual flight profiles and fire units were cued so the operators would know the approach, altitude, and direction of the targets. GAO has reported to the committee that testing to date "provides no assurance" that the ADATS system will perform as required.

The committee restates its concern that the acquisition strategy for the ADATS system repeats the mistakes made on the DIVAD air defense system, and recommends that no procurement funds be provided in fiscal year 1989. However, the committee recommends that advance procurement funds be provided, since the results of operational testing should be available in time to initiate low rate initial production in fiscal year 1990.

The committee acknowledges that the Army has a pressing requirement to procure modern air defense systems for maneuver forces. The committee believes the Pedestal Mounted Stinger (PMS) is an excellent program. For example, it is possible to buy 12 PMS fire units for the price of one ADATS fire unit. The PMS system, however, will not be able to operate along with maneuver forces until it is installed on an armored chassis.

The committee recommends that an additional $25.0 million be provided to procure an additional 24 PMS fire units. The committee also expresses its concern over the extremely high cost of the ADATS system, which is projected to be four times greater per fire unit than the DIVAD system. The committee considered adding funds to install the PMS mission equipment on an armored chassis in order to demonstrate an alternative to ADATS should it not pass operational tests. Such an alternative could also encourage the Army to lower the cost of ADATS because an armored PMS would be substantially less expensive to procure. The committee chose not to initiate such a program at this time, but encourages the Army to consider such a course if the operational tests indicate that ADATS will not meet Army requirements.

M1A1 TANKS

The Army has developed a comprehensive master plan to deal with the serious armor-antiarmor imbalances between NATO and the Warsaw Pact. The new plan calls for production of 12,000 tanks, replacing the 105mm cannon on early model M1s with the improved 120mm cannon, and placing M1 tanks in National Guard units. (The second and third items are discussed elsewhere in this report.) The amended fiscal year 1989 request does not contain sufficient funds to carry out such a plan.

The current plan is inconsistent with the armor-antiarmor imbalance in Europe, especially in light of the requirement to strengthen conventional forces in a post-INF environment. Therefore, the committee recommends an increase of $44.1 million in advance procurement to continue production of tanks consistent with the current multiyear contract in fiscal year 1989 and beyond. The committee expects the Department to program sufficient resources to implement the new armor-antiarmor plan.

TOW II ANTI-TANK MISSILE

In accordance with the committee's armor-antiarmor initiative, the committee also recommends an additional $15.2 million to accelerate the fielding of TOW II A missiles.

M60 MODIFICATIONS AND TRAINING DEVICES

The Army requested $9.9 million for modifications to M60 series tanks, and $14.5 million for training devices for M60 tanks. Since the time the budget was submitted, the Army has decided to discontinue operation of M60 tanks and shift Guard units entirely to M1 series tanks. Consequently, the committee recommends no funds be provided for M60 series modifications or training devices.

HEAVY MORTAR STUDY

The committee notes that the Department has terminated the 120mm mortar program, as well as the M198 lightweight 155mm towed howitzer program. The committee remains concerned about the requirement for a heavy mortar in armored divisions and additional indirect firepower in light divisions.

The committee believes the Army should conduct a study of alternatives for mortars for heavy divisions and indirect firepower for light divisions. The committee believes the following should be included among the alternatives examined in the study: (1) procurement of 120mm mortars; (2) reconditioning of current 107mm mortars; (3) guided armor-piercing projectiles on either 120mm or 107mm mortars; and (4) breach-loaded heavy mortars capable of firing all types of 155mm artillery ammunition currently in Army inventories.

The results of the study shall be provided to the Congress not later than March 1, 1989.

105 MM APFSD–T (XM900E1)

Production funds for this new tank round were included in the original fiscal year 1988/89 budget, but were deleted in the Amended Fiscal Year 1989 Budget because type classification of this round is not scheduled to be completed until the first quarter of fiscal year 1989. If type classification occurs as planned, then production of this important round could begin in fiscal year 1989. The Army has indicated that this program remains on schedule.

The committee recommends an increase of $30.9 million to the Amended Fiscal Year 1989 Budget to allow the Army to begin production of this round in fiscal year 1989. However, the Secretary of the Army should certify to the Committees on Armed Services of the Senate and House of Representatives that type classification has been successfully completed before production funds for this round are obligated.

155 MM DP BASEBLEED XM864

The committee recommends an increase of $20.7 million for the projectile and propelling charge of the 155 mm (XM864) longer-range artillery round.

PROGRAM REDUCTIONS

The committee bill deletes funding for the 105 mm TP–T, M490; the Hydra 70 Rkt MPSM; and the Hydra 70 Rkt HE/PDD because of production problems identified by the Army.

HIGH MOBILITY MULTIPURPOSE WHEELED VEHICLE

The committee has learned that the Army may suspend production of the High Mobility Multipurpose Wheeled Vehicle (HMMWV), despite the fact that the Army asked for and the Congress agreed to a multiyear contract for the program last year. If the Army chooses to pursue an acquisition plan that varies from the plan approved last year, the committee expects that the Army will provide an analysis of the savings associated with that alternative compared to the savings projected in the multiyear proram adopted last year.

10-TON TRUCKS

Last year the Congress directed the Army to procure an additional 4,737 10-ton trucks under a multiyear procurement contract. The Department of Defense has requested that the Congress repeal the requirement. The committee does not concur in the Department's request and provides $239.3 million to procure 10-ton trucks consistent with last year's provision.

ADVANCED FIELD ARTILLERY TACTICAL DATA SYSTEM

The Army requested $57.7 million to initiate procurement of the Advanced Field Artillery Tactical Data System (AFATDS). AFATDS is the only program that can satisfy long term Army fire control requirements to support field artillery operations. Problems in the development phase, however, have delayed production. The committee recommends that no procurement funds be provided for fiscal year 1989.

JSTARS GROUND STATIONS

The Army requested $37.9 million to procure ground stations for the Joint Surveillance and Target Acquisition Radar System (JSTARS). Problems in the JSTARS aircraft development program have delayed the program by over a year. Consequently, the Army cannot obligate the funds requested for ground stations.

LOGISTICS SUPPORT VESSELS (LSV)

In fiscal year 1987, the Army was authorized $40 million to procure four Logistics Support Vessels (LSV). The committee has been informed, however, that the Army requires one additional LSV beyond those already authorized, and can procure the LSV within the funds originally appropriated for that purpose. The committee recommends authorization of one additional LSV to be procured within the funds appropriated in fiscal year 1987 for LSVs.

LARGE SCALE SIMULATOR NETWORKS (SIMNET)

The Defense Advanced Research Projects Agency (DARPA) has pioneered a new form of large scale simulator networks (called

SIMNET) which utilizes low cost microprocessors linked together to simulate combined combat operations. DARPA has been procuring a limited number of the simulators and providing them to the Army. The Army intends to buy up to 2,500 units, but has not requested funds to initiate procurement until 1990.

The committee believes that SIMNET offers dramatic improvements in training at substantially reduced cost, which will be very important in the face of tight budgets. The committee recommends that $24.0 million be provided to procure SIMNET units in fiscal year 1989, and encourages the Army to proceed with its program in 1990 as planned.

CHANGES TO NAVY/MARINE CORPS PROCUREMENT

P-1 LINE	ITEM	FY 1988 Estimate Quantity	FY 1988 Estimate Amount	Original FY 1989 Request Quantity	Original FY 1989 Request Amount	Revised FY 1989 Request Quantity	Revised FY 1989 Request Amount	Senate Change to Request Quantity	Senate Change to Request Amount	Senate Authorization Quantity	Senate Authorization Amount
	TOTAL AIRCRAFT PROCUREMENT NAVY		9,416,289		10,250,270		8,980,000		96,200		9,076,200
	TOTAL WEAPONS PROCUREMENT		5,834,819		7,862,931		6,271,800		(78,700)		6,193,100
	TOTAL SHIPBUILDING AND CONVERSION		16,156,366		11,858,438		9,130,100		(74,000)		9,056,100
	TOTAL OTHER PROCUREMENT NAVY		4,731,350		6,677,630		4,789,700		46,500		4,836,200
	TOTAL PROCUREMENT MARINE CORPS		1,296,699		1,646,475		1,157,300		9,970		1,167,270
	COASTAL DEFENSE AUGMENTATION		20,000		0		0		0		0
	TOTAL NAVY/MARINE CORPS PROCUREMENT		37,456,222		38,186,844		30,328,900		(30)		30,328,870
	CHANGES TO REQUEST										
4	EA-6B (ELECTRONIC WARFARE) PROWLER	12	482,642	9	[illegible]	9	496,270	3	60,700	12	556,970
5	EA-6B ADVANCE PROCUREMENT (CY)	0	22,713	0	18,222		18,331		6,000		24,331
7	AV-8B (V/STOL) HARRIER (MYP)	24	468,830	32	719,880	24	849,241		28,759	24	878,000
7	LESS: ADVANCE PROCUREMENT (PY)	0	(43,018)	0	(64,040)		(70,000)		(80,000)		(150,000)
8	AV-8B ADVANCE PROCUREMENT (CY)	0	160,000	0	33,487		40,240		51,241		91,481
10	F-14 ADVANCE PROCUREMENT (CY)	0	84,269	0	137,179		84,794		29,500		114,294
	TOTAL AIRCRAFT PROCUREMENT NAVY								[illegible]		
8	AIM/RIM-7 F/M SPARROW	600	79,000	0	0			300	40,000	300	40,000
39	WEAPONS INDUSTRIAL FACILITIES	0	9,216	0	10,694		10,750		3,000		13,750
43	ORDNANCE SUPPORT EQUIPMENT	0	218,436	0	501,666		351,707		(121,700)		230,007
	TOTAL WEAPONS PROCUREMENT								(78,700)		
23	OCEANOGRAPHIC RESEARCH SHIP	0	0	1	49,000	1	74,000	(1)	(74,000)		0
	TOTAL SHIPBUILDING AND CONVERSION								(74,000)		
26	STRATEGIC PLATFORM SUPPORT EQUIPMENT	0	75,300	0	86,066		56,408		(6,500)		49,908
27	SEALIFT SUPPORT EQUIPMENT	0	63,791	0	46,617		21,779		8,000		29,779
101b	SONOBUOYS (GENERAL INCREASE)								30,000		30,000
276	AMPHIBIOUS EQUIPMENT	0	9,906	0	26,918		15,437		15,000		30,437
	TOTAL OTHER PROCUREMENT NAVY								46,500		
81	MK-19 40MM MACHINE GUN	0	0	487	4,876				4,970		4,970
88a	LIGHT EARLY WARNING DETECTION SYSTEM								5,000		5,000
	TOTAL PROCUREMENT MARINE CORPS								9,970		

NAVAL AVIATION

The committee deliberated at some length the current status of the Navy's aviation procurement account. At one point during the deliberations, the committee considered termination of the Air Force F-15E aircraft in order to transfer funds to offset shortfalls in the Navy's aviation account. This alternative was rejected because the committee believes that the F-15E is an essential element of United States conventional forces. This belief was reenforced by testimony of several of the Unified Commanders in Chief. Nevertheless, the committee is convinced that Navy aviation requirements require greater funding than is currently being provided in order to support the projected carrier battle group force structure.

Currently, the Navy is involved in operations in the Persian Gulf. In the past several years, naval aviation has been involved in operations to support United States policy throughout the world. The committee notes that nations which previously based United States aircraft are increasingly reluctant to grant United States aircraft landing rights. The committee is convinced that aircraft carriers and the associated air wings are in many cases the only option for overseas power projection and should be accorded high priority within the Department.

Last year, even as the overall budget was cut by $22 billion, the Congress increased funding for key Navy aviation programs, including the EA-6B, the AH-1W helicopter, and numerous programs in the Navy's aviation modification account. The committee held extensive hearings on the Navy's shortfall of combat aircraft and indicated three major concerns had arisen from these hearings: (1) there was a shortfall of Naval combat aircraft; (2) the average age of combat aircraft was increasing above acceptable levels; and (3) there were drastic reductions to the Navy's aircraft modification accounts. The committee is convinced that few of these problems were rectified in the amended fiscal year 1989 budget request. Further, the committee has learned of numerous troubling reports of further severe reductions in the Navy's aviation account in the fiscal year 1990 Five Year Defense Program.

The Congress again this year has found it necessary to increase funding on key Navy aviation programs. Specific changes are discussed elsewhere in this report. The committee has concluded that the Department is not requesting sufficient funds in order to modernize Navy aviation. This is inconsistent with the frequent requirement to call on Navy units to conduct operations, such as those ongoing in the Persian Gulf.

Therefore, the committee has included a provision (section 121) which requires the Secretary of Defense to report to the Congress by December 1, 1988, how the Department plans to alleviate aircraft shortfalls in the Navy, prevent further deterioration of the average age of Navy combat aircraft, and continue modification of Navy combat aircraft.

EA-6B JAMMER AIRCRAFT

The Navy requested $496.3 million to procure nine EA-6B jammer aircraft in the amended fiscal year 1989 request, and $18.3

million for advance procurement for nine aircraft in fiscal year 1990. Last year the authorization act increased the production rate and directed the Navy to retain a production rate of 12 aircraft per year. Consequently, the committee regrets the Navy's decision to yet again stretch out production rates of the EA-6B.

An additional three aircraft can be procured for $60.7 million, or roughly $20 million per aircraft. This compares to the average procurement unit cost of $45 million for the nine aircraft requested in the budget.

The committee recommends an addition of $60.7 million to purchase three additional aircraft in fiscal year 1989, and an addition of $6.0 million for advance procurement for three additional aircraft (a total of 12) in fiscal year 1990.

AV-8B HARRIER AIRCRAFT

The administration requested $479.2 million in fiscal year 1989 to initiate a 3-year, multiyear procurement of 24 AV-8B aircraft per year. The administration also requested $40.2 million in fiscal year 1989 in advance procurement for AV-8B's in fiscal year 1990.

The AV-8B requirements were carefully reviewed in the last year's authorization conference, and 24 aircraft were authorized in the National Defense Authorization Act for Fiscal Years 1988 and 1989. The fiscal year 1988 Continuing Resolution also appropriated $150.0 million in advance procurement for AV-8B aircraft in fiscal years 1989, 1990, and 1991 and directed the Department of Defense to examine multiyear procurement of AV-8B aircraft.

The committee recommends authorization of $428.0 million for 24 AV-8B-s in fiscal year 1989. The committee directs that the $150.0 million appropriated in fiscal year 1988 for advance procurement be used for procurement in fiscal year 1989, for total funding of $578.0 million. The committee also recommends authorization of $91.481 million in fiscal year 1989 for advance procurement of AV-8B aircraft in fiscal year 1990 (an increase of $51.281 million to the request) to execute the multiyear procurement in the event the Department chooses to do so. If this is the case, transfer authority between the AV-8B procurement and advance procurement accounts is authorized.

In the event the multiyear procurement is not entered into, the $91.481 million in advance procurement that would be authorized in fiscal year 1989 is not to be obligated or expended except for procurement of Marine Corps equipment, as determined by the Secretary of the Navy, in consultation with the Commandant of the Marine Corps. The committee directs the Commandant to submit to the Armed Services Committees and Defense Appropriations Subcommittees of the Senate and House of Representatives a list of the equipment to be procured 15 days prior to obligating these funds. Section 107(e) of this bill prohibits expenditure of these funds except as outlined.

V-22 AIRCRAFT

The administration requested $335.3 million in fiscal year 1989 for advance procurement of 12 V-22 aircraft.

The committee recommends authorization of $335.3 million for advance procurement of 12 V-22 aircraft.

The V-22 aircraft is a new technology, tilt rotor aircraft designed to replace the Marine Corps H-46 aircraft. In the past, the committee has strongly supported the program and continues to support it. The funding requested in the amended fiscal year 1889 budget request is to procure long lead items for V-22 aircraft that are to be procured in fiscal year 1990. The committee has learned that the Navy has recommended to the Secretary of Defense the procurement of V-22 aircraft be delayed one year. The committee does not support this recommendation, particularly after receiving testimony from the Commandant of the Marine Corps. If the Secretary of Defense should support the recommendation of the Navy to delay the program, the advance procurement funding will not be required, in which case the Secretary will seek transfer authority. The committee feels strongly that if this authorization is not to be obligated for the V-22 program, the funds should only be obligated for other Marine Corps procurement.

AH-1W GROUND SUPPORT EQUIPMENT

Last year, the Continuing Resolution funded procurement of 34 AH-1W aircraft, 12 aircraft above the requested number. This was done to buy out the Marine Corps requirement of new production AH-1W aircraft; thus, the amended fiscal year 1989 budget did not request procurement of the remaining 12 aircraft. The committee has learned that the funds appropriated to procure the 34 aircraft were, unfortunately, not sufficient to purchase all the required ground support equipment. This shortfall created logistic problems when these aircraft were deployed to the Persian Gulf region. The committee has included a provision, section 111(d), which would authorize not less than $55.0 million for the procurement of AH-1W ground support equipment utilizing title I funds.

F-14 MODIFICATION PROGRAM

In 1983 the Navy started a program to upgrade the F-14 with new engines and electronic systems. At that time the Navy intended only to buy new aircraft in this so-called "D" configuration. In 1987 the Navy announced that it had modified its plans, with the primary emphasis placed on remanufacturing and upgrading existing F-14 aircraft into the new "D" configuration. Only 12 new "D" model aircraft per year would be manufactured as attrition replacements.

The original fiscal year 1989 budget included advanced procurement funds to start the remanufacture program. The amended fiscal year 1989 budget deleted those funds. The committee supports the remanufacture program, and is concerned that the decision to defer the remanufacture program will produce higher average unit costs and could place the entire modification program in jeopardy as the budget pressures build.

The committee recommends authorization of $29.5 million for advance procurement of six F-14D upgrade kits, and directs the Navy to incorporate a significant remanufacture program in its plans for the Fiscal Year 1990 Five Year Defense Program.

AIRCRAFT EJECTION SEATS

The committee understands that there are currently no United States manufacturers of ejection seats for Navy aircraft. The committee further understands that several United States companies have developed candidate systems. The committee believes that these companies should make proposals for evaluation of their ejection seats under the Product Evaluation Fund, which is discussed elsewhere in this report

TRIDENT II

The committee continues to attach the highest priority to the development and deployment of the Trident II missile and Trident II equipped Trident submarines. Progress on the development and testing of the Trident II weapon system has been very encouraging and the committee believes that the program should continue to enjoy the full funding required, even in the current budgetary environment, to support the 1989 deployment schedule.

The committee therefore recommends the authorization of $580.9 million for research and development and $1,865.6 million for missile procurement (adjusted for prior year and current year advance procurement), the full amount requested. The committee also recommends renewal of the legislative provision that would exempt the Trident II program from reductions resulting from undistributed reductions or from deficit reduction actions. The provision is found in section 111(a).

AIM-7 MISSILES

The committee added $40.0 million to procure 300 AIM-7 missiles for the Navy in fiscal year 1989. This addition will reduce the shortfall in air-to-air missiles until the AMRAAM missile is delivered to the fleet.

NAVY WEAPONS INDUSTRIAL FACILITIES

The committee recommends that $3.0 million be provided to continue the modernization of the Allegheny Ballistics Laboratory, a government-owned, contractor-operated facility in West Virginia which currently produces propulsion units for Navy missiles.

VERTICAL LAUNCH ASROC

The administration requested $17.6 million in fiscal year 1989 in procurement and $30.3 million in RDT&E for the Vertical Launch ASROC Program.

The committee recommends authorization of $17.6 million in procurement and $30.3 million in RDT&E for Vertical Launch ASROC. It is understood the Department is studying the question of whether to cancel this program in favor of developing Sea Lance for surface ships as well as submarines. The department is encouraged to resolve this question and submit a report to the Senate and House Armed Services Committees indicating the rationale for its decision and how the program will be restructured.

OCEANOGRAPHIC RESEARCH SHIP (AGOR)

The administration requested $74.0 million in fiscal year 1989 for construction of one oceanographic research ship (AGOR).

The committee recommends that authorization of $74.0 million for construction of one AGOR be denied.

Subsequent to the submission of the amended fiscal year 1989 budget request, the Navy determined the AGOR design was not sufficiently mature to give high confidence to the department's ability to put this ship under contract in fiscal year 1989.

DDG-51 CLASS GUIDED MISSILE DESTROYER

The committee believes a review of the competitive practices intended by the Navy for the DDG-51 program is timely since the procurement program is in its early years. Section 111(b) of the bill states that the Secretary of the Navy may not limit competition for the shipbuilding portion of the DDG-51 destroyer program in fiscal year 1989 to the two shipyard contractors to which the competition is limited on the date of enactment of this Act unless the Secretary certifies to the Congress that the limitation of such competition to such contractors:

(A) will result in a lower total cost to the United States for the program than would result from including other shipyard contractors in the competition; or

(B) is necessary to meet the cost, schedule, performance, or other requirements of the Navy determined by the Secretary.

The GAO is required to review any such certification and provide a report to the Congress on the validity of the criteria applied by the Secretary of the Navy on reaching the determination necessary for such certification.

SERVICE LIFE EXTENSION OF THE 1052 CLASS FRIGATE

The committee is aware that consideration is being given to a service life extension program for the FF-1052 class frigates. Although the committee is sensitive to the need to find ways to maintain force levels of surface combatants and improve capabilities, it is also mindful of the limitations of propulsion plants. The aging, high pressure, high temperature, maintenance intensive, and unforgiving steam propulsion plants like those of FF-1052 class frigates will soon be disappearing from the fleet, and any remaining will be increasingly difficult and expensive as years pass to maintain for reliability and safety of operation. The committee is very aware that the damage sustained in the Persian Gulf by the USS SAMUEL B. ROBERTS, an FFG-7 class frigate, would have been catastrophic in an FF-1052 class ship with a high pressure, high temperature steam propulsion plant.

For these reasons, the committee cautions the Navy not to plan for a service life extension of more than 5-years for FF-1052 class frigates unless the plan calls for modernization of the propulsion plants.

5-INCH SEMI-ACTIVE LASER GUIDED PROJECTILE PROGRAM

The committee has supported the 5-inch semi-active laser guided projectile program for several years. Although no procurement funds were requested in fiscal year 1989, it is desirable to complete production qualification. Accordingly, the committee in section 111(c) directs the Secretary of the Navy to require each of the three established competitive sources to produce 50 projectiles for production qualification. The Secretary should determine costs associated with production qualification and identify the source of funds by means of a reprogramming.

SEALIFT SUPPORT EQUIPMENT

The administration requested $21.8 million for procurement of Sealift Support Equipment in fiscal year 1989. The committee recommends authorization of $29.8 million for procurement of Sealift Support Equipment in fiscal year 1989, an increase of $8 million.

The committee remains very supportive of the use of seasheds and adapters and their continued procurement from small businesses by competitive dual-sourcing through the existing small business program under a stable production.

SONOBUOYS

The administration requested $103.4 million for procurement of sonobuoys in fiscal year 1989.

The committee recommends authorization of $133.4 million for procurement of sonobuoys in fiscal year 1989, an increase of $30 million to the request.

The committee notes that the Department consistently underfunds sonobuoy procurement. In fiscal year 1988, the Congress approved a general increase of $50 million for sonobuoys which resulted in an increase of the inventory by over 383,000 buoys. Nevertheless, the usage rate resulted in a net inventory drawdown. Despite this fact, the fiscal year 1989 procurement request is 40 percent lower than that requested in fiscal year 1988. The committee believes the increasing antisubmarine warfare challenge demands that the Navy increase the resources for sonobuoys.

OFFSHORE PETROLEUM DISCHARGE SYSTEM

The administration requested $15.4 million in procurement in fiscal year 1989 for Amphibious Equipment.

The committee recommends authorization of $30.4 million in procurement in fiscal year 1989 for Amphibious Equipment. The $15 million increase is for the Offshore Petroleum Discharge System (OPDS).

The committee believes this increase will allow the Navy to exercise an attractively priced option which will save the government money in the longer term. The OPDS allows direct transfer of petroleum products from tankers to combat forces ashore, without intermediate handling. This program has been in procurement since 1986. Three systems are already on contract. The committee believes OPDS procurement should continue because it gives projection forces greater flexibility and mobility.

AN/SQR-17A ACOUSTIC PROCESSORS

In May 1987 the General Accounting Office reported that the Congress had directed the Navy to procure more AN/SQR-17A Acoustical Processors than were requested in each of fiscal years 1985, 1986 and 1987. With the 1987 directed procurement the cumulative total of AN/SQR-17A Acoustic Processors was 12 units greater than requirements. Therefore, the committee in section 111(e) recommends a prohibition on procurement of AN/SQR-17A Acoustic Processors.

The committee directs the Navy to satisfy any current needs for AN/SQR-17A processors from those excess units procured in previous years. The Secretary of the Navy is requested to inform the Committees on Armed Services of the Senate and House of Representatives what valid military requirements for AN/SQR-17A Acoustic Processors remain that cannot be satisfied from existing surpluses.

MK 19 40MM GRENADE LAUNCHER

The administration did not request funding in procurement in fiscal year 1989 for the MK 19 40mm Grenade Launcher for the Marine Corps.

The committee authorizes, $4.97 million in procurement in fiscal year 1989 for the MK 19 40mm Grenade Launcher so a gap in production for this important light infantry weapon will not occur.

CHANGES TO AIR FORCE PROCUREMENT

P-1 LINE	ITEM	FY 1988 Estimate Quantity	FY 1988 Estimate Amount	-----Original----- FY 1989 Request Quantity	-----Original----- FY 1989 Request Amount	-----Revised----- FY 1989 Request Quantity	-----Revised----- FY 1989 Request Amount	-----Senate----- Change to Request Quantity	-----Senate----- Change to Request Amount	-----Senate----- Authorization Quantity	-----Senate----- Authorization Amount
	TOTAL AIRCRAFT PROCUREMENT		12,929,069		17,221,426		16,630,000		(373,900)		16,256,100
	TOTAL MISSILE PROCUREMENT		7,350,071		11.036,102		8,158,000		(146,600)		8,011,400
	TOTAL OTHER PROCUREMENT		8,011,527		9,820,236		8,393,500		(75,477)		8,318,023
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	TOTAL AIR FORCE PROCUREMENT		28,290,667		38,077,764		33,181,500		(596,977)		32,585,523
	CHANGES TO REQUEST										
5	ATA		[ ]		[ ]		[ ]		[-87,200]		[ ]
9	F-16 C/D (MYP)	180	2,882,820	180	3,214,777	180	3,499,128		(351,000)	180	3,148,128
22	CIVIL AIR PATROL A/C	38	1,500	38	600	38	502		1,300	38	1,802
48	C-135	0	749,392	0	872,900	36	804,300	4	83,000	40	887,300
999	CLASSIFIED PROGRAMS		0		0		3,287,790		(87,200)		3,200,590

	TOTAL AIRCRAFT PROCUREMENT								(373,900)		
6	HAVE FLAG	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]		[-200,000]	[ ]	[ ]
17	AMRAAM	400	712,161	1,760	876,036	1,470	826,297	(230)	0	1,240	826,297
30	GRD LAUNCH CRUISE MISSILE	0	0	0	17,136		3,200		(3,200)		0
35	GLOBAL POSITIONING (MYP)	4	207,405	0	81,217		75,644		(15,000)		60,644
48	MEDIUM LAUNCH VEHICLE	7	182,600	4	204,100	6	283,265		(50,400)	6	232,865
53	SPECIAL PROGRAMS	0	2,087,066	0	2,753,893		2,849,100		132,000		2,981,100
999	CLASSIFIED PROGRAMS		396,631		1,077,443		892,642		(200,000)		692,642
	PRIOR YEAR FUNDS, FY87 (GLCM)								(10,000)		(10,000)

	TOTAL MISSILE PROCUREMENT								(146,600)		
27	BOMB HARD TARGET 2000LB	2,480	32,567	2,380	31,877	2,610	31,877	(2,610)	(31,877)		0
84	CAP VEHICLES	0	800	0	0				800		800
165	AUTOMATIC DATA PROCESSING EQUIP	0	110,000	0	121,271		82,716		(15,000)		67,716
207	CAP COM & ELECT	0	500	0	0				500		500
248	SELECTED ACTIVITIES	0	4,449,744	0	4,940,526		4,836,700		(30,000)		4,806,700

	TOTAL OTHER PROCUREMENT								(75,477)		

ADVANCED SELF PROTECTION JAMMER

The Advanced Self Protection Jammer (ASPJ) is a new generation electronic countermeasures system scheduled to be installed on most Air Force and Navy aircraft. ASPJ has had a troubled development. Recent operational tests revealed significant shortcomings. The Commander of the Tactical Air Command directed that it not be installed on F-16 aircraft until it passes operational tests. Because of the problems with the performance, the committee recommends that the $351.0 million requested for ASPJ procurement be denied. The committee remains strongly committed to procurement of ASPJ once it is proven to be operationally effective.

C-17 AIRCRAFT PRODUCTION

The administration requested $961.1 million in RDT&E and $970.4 million in procurement in fiscal year 1989 for the C-17 aircraft program.

The committee authorizes $961.1 million in RDT&E and $970.4 million in procurement for the C-17 aircraft program.

Of the funds authorized in fiscal year 1989, $318.0 million in RDT&E is for initial tooling for a production rate of 12 aircraft per year, and it is planned to request additional funding for tooling in fiscal year 1991 to increase the production rate to 29 aircraft per year. The committee is concerned that when the C-17 program was first structured assumptions concerning funding levels possible within probable projections of total obligational authority may well have been different from current projections of defense spending levels. The committee does not wish the Department to plan on production rates for C-17 aircraft which are unrealistic.

Under unrealistic assumptions the unit price would increase because planned economic order quantities might never be funded. If unit prices of C-17s were to increase substantially, the merit of the program would be called into question.

Accordingly, the committee requests the Secretary of Defense to examine and report alternative production rates for the C-17 airlifter. The report should identify the most logical alternatives for investment in rate tooling (which is tooling for more than 12 aircraft per year). The report should also identify the expected cost per aircraft, and annual procurement funding, for alternative levels of tooling investment and production rates. Options for multiyear procurement should be included in the analysis. The report is due to the Committees on Armed Services and Appropriations of the Senate and the House of Representatives not later than January 1, 1989.

CIVIL AIR PATROL

The administration requested $500,000 to procure aircraft for the Civil Air Patrol. The committee believe that this request is insufficient to sustain modernization of the Civil Air Patrol. The committee recommends that an additional $1.3 million be provided to procure used aircraft, $800,000 be provided to procure vehicles, and $600,000 to procure communication equipment appropriate for the Civil Air Patrol's requirements.

ELECTRONIC COUNTER MEASURES PODS

The committee notes that the Air Force continues to experience quantity and quality deficiencies in electronic counter measures (ECM) pods. As threat capabilities improve, the committee is committed to ensuring these shortfalls are minimized in a cost effective manner.

The Air Force has plans to upgrade the ALQ-119 pod to the ALQ-184 configuration in order to avoid retiring the existing inventory of 1,200 ALQ-119 pods. Such an upgrade is required because the current ALQ-119 pods are rapidly becoming logistically unsupportable. The Air Force is also considering upgrading the ALQ-131 (Block I) pod to the Block II configuration. The committee believes these two programs provide the Air Force an opportunity to establish an ongoing annual competition, patterned after the successful fighter engine competition, and encourages the Air Force to adopt such an acquisition approach.

T56-15 ENGINES FOR C-130 AIRCRAFT

The Air Force operates over 300 C-130 aircraft that use early model T56 engines. The later model C-130s are fitted with the T56-15 improved engine. The committee understands that retrofitting the improved engine on early-model C-130s could produce substantial savings. The committee directs the Air Force to study the feasibility and cost-effectiveness of retrofitting the T-56-15 engine on early model C-130s. The report should be submitted to the Congress not later than March 1, 1989.

ADVANCED MEDIUM RANGE AIR-TO-AIR MISSILE (AMRAAM)

The Air Force requested $875.0 million to procure 1,470 AMRAAM missiles in fiscal year 1989. The committee learned that the budget submission contained the wrong quantity for the funds requested and should have been listed as 1,240 missiles. The committee changed the quantities of missiles to reflect the correct number. If the change were not made, next year the Air Force would likely be forced to report a cost breach under the Unit Cost Report because the actual number of missiles procured with the funds provided would be less than shown in budget documentation.

SPACE LAUNCH RECOVERY

During the past year, the estimated cost of the Department of Defense space launch recovery program through fiscal year 1994 has increased from $5.9 billion to $11.7 billion. These changes have resulted primarily from changes in the assumptions about the availability and performance of the space shuttle, which, since December 1986, have had the net effect of removing 18 of 36 payloads from the shuttle through 1995. The over $5 billion additional cost to DOD has resulted from the need to procure boosters—and the production and launch rate capabilities required—for payloads previously planned for shuttle launch.

The committee supported last year, and continues to support the development of redundant space launch capabilities so that the United States will never again be dependent for space access on a single vehicle type. The space launch recovery effort will result in a number of expendable launch vehicles, ensuring that failure of a single booster type will not ground all satellite programs. Moreover, it is hoped that improved fault detection and instrumentation capabilities will reduce the amount of down time should boosters experience failures in the future. Nevertheless, there is little prospect that individual satellites will enjoy space launch redundancy until the Advanced Launch System (ALS) is available late in the next decade. The committee believes strongly that a central focus of the ALS program should be to break from the current situation that ties satellites to specific launch vehicles and requires months of costly pre-launch preparation that also limits ability to replace critical satellites on demand in a timely manner.

As a result of availability and performance considerations, and the National Aeronautics and Space Administration's (NASA) desire to work off the backlog of non-DOD payloads, the current shuttle manifest for DOD shows only Strategic Defense Initiative (SDI) and Research and Development related flights with unique manned requirements after 1992. In view of the immense DOD investment in the shuttle, the committee believes that a very thorough review of the long term prospects for future DOD utilization of the shuttle is required before any actions are taken that would preclude use of the shuttle from either coast after 1995. A reporting requirement to this end is described below. In a related action, the committee recommended a prohibition on the expenditure of any funds for the proposed new Titan IV pad at Vandenberg pending completion of the shuttle utilization study.

The fiscal year 1989 budget request contains funding to expand the production of Titan IV boosters and to improve their performance; expand the launch rate capabilities for Titan IV boosters; and to develop and competitively procure a new class of boosters—the Medium Launch Vehicle (MLV) II—to launch the Defense Satellite Communications System (DSCS). After exhaustive review, the committee is convinced of the relative unattractiveness of alternatives to satisfy those requirements. Consequently, the committee approves the basic program presented in the fiscal year 1989 request, and the related fiscal year 1988 reprogramming request. The committee recommended a reduction of $50 million in the procurement request for the MLV II program in anticipation of contract savings resulting from the competition. Should these savings not be realized, the committee would invite reprogramming action to restore the necessary funding.

The committee notes that the Solid Rocket Motor Upgrade program provides an opportunity for redundancy in providing solid rocket motors for the Titan IV program. The committee encourages the Department of Defense to maintain two sources for production of motors if this can be demonstrated to be cost effective.

The committee also has reviewed aspects of the recently enunciated national space policy and has noted the emphasis on encouragement of commercialization and privatization of space launch boosters, manufacturing facilities, and launch facilities. The committee encourages a robust commercial launch industry, recognizing the inherent advantages to the DOD in lowering the cost of boosters through economies of scale and providing alternative access to space in emergencies. The committee will monitor carefully the relationship of DOD launch programs with commercial programs to ensure that defense function funds are not subsidizing commercial activities.

The Air Force, by policy and practice, has been the executive agent for providing DOD space launch services. The Navy, in contrast, plans to procure launch services for the Ultra High Frequency (UHF) follow-on satellite, taking delivery of the satellite on orbit. The committee is concerned that the Navy will pay a substantial premium for risk assumption on the part of the contractor. Moreover, the UHF follow-on will be compatible with existing or programmed Air Force boosters. Therefore, the committee directs the DOD to have the Air Force assume responsibility for providing launch of the UHF follow-on satellite.

Finally, the committee notes several tendencies in recent years that have contributed to the difficulties of restoring assured access to space. The first is a tendency to design satellite payloads to the limits of promised launch vehicle performance capability. In the case of the shuttle, where promised performance has been degraded as a result of post-Challenger changes, or never realized in the first place, the result has been payloads intended for shuttle launch that now must be launched on expendable launch vehicles. The MILSTAR satellite is another example. Designed to the weight limits of the Titan IV booster, MILSTAR weight growth may now require the performance improvement of the Solid Rocket Motor Upgrade in order to reach the desired orbit.

The second tendency is to upgrade satellites between each block change, which also increases the weight of the payloads. The focus of these improvements has been survivability and reliability related, which the committee supports. However, the committee is concerned that these improvements are not in all cases driven by validated military requirements, nor subject to the degree of scrutiny within the Department of Defense as would be warranted by the cost of the programs involved and their implications for space launch support. In a related action taken for budgetary reasons, the committee recommended a $10 million undistributed reduction against the research and development requests for the DSCS, Defense Support Program (DSP), Defense Meteorological Satellite Program (DMSP) and Global Positioning System (GPS) programs.

As a consequence of the experience noted above, the committee believes that all future satellite related research and development programs should be guided by the following principles. First, the initial research and development request for a new satellite, or a block change for an existing satellite, shall be accompanied by documentation indicating that the initiative is driven by validated military requirements, that the DOD has determined that the improvement is cost-effective, and that the implications for launch support have been considered. Second, the Under Secretary of Defense for Acquisition shall not approve for development a new satellite if the proposed payload weight exceeds 85 percent of the lift capacity of the launch vehicle(s) identified with the proposed satellite, and shall not approve for development a block change if the proposed payload weight exceeds the weight of the existing payload.

Reporting Requirements

In view of the tremendous investment that the DOD has already made in the space shuttle program, the committee believes a very detailed review of future DOD use of the shuttle is warranted. The committee therefore directs the Secretary of Defense to request the Defense Science Board to review DOD space launch requirements in the mid-to-late 1990s to determine whether the shuttle should be included in the array of space launch vehicles for the DOD. The review should include, but not be limited to, an assessment of the performance and availability of the shuttle for DOD payloads (to include an assessment of shuttle performance improvements such as the Advanced Solid Rocket Motor); an assessment of the comparable launch costs using the shuttle versus expendable launch vehicles; an assessment of the alternatives for disposition of the Vandenberg Shuttle Complex given the above findings; and an assessment of DOD plans in the near term—through 1995, with respect to providing cost effective assured access to space. The Defense Science Board review shall be submitted to the Committees on Armed Services of the Senate and House of Representatives not later than March 1, 1989.

BOMB, HARD TARGET, 2000LB

The committee is concerned that the military services continue to procure bombs that require vulnerable aircraft to fly over enemy air defense, while their commitment to stand-off weapons is problematic. The committee recommends deleting funds for this general purpose bomb until the Department of Defense submits a master plan for stand-off munitions.

CHANGES TO DEFENSE AGENCIES/NATIONAL GUARD AND RESERVE PROCUREMENT

P-1 LINE	ITEM	FY 1988 Estimate Quantity	FY 1988 Estimate Amount	Original FY 1989 Request Quantity	Original FY 1989 Request Amount	Revised FY 1989 Request Quantity	Revised FY 1989 Request Amount	Senate Change to Request Quantity	Senate Change to Request Amount	Senate Authorization Quantity	Senate Authorization Amount
	TOTAL PROCUREMENT DEFENSE AGENCIES		1,301,163		1,511,061		1,216,100		(8,180)		1,207,920
	TOTAL GUARD AND RESERVE EQUIPMENT		1,200,000		0		0		443,000		443,000
	TOTAL CHEMICAL DESTRUCTION		198,500		211,900		162,900		11,600		174,500
	TOTAL DEFENSE AGENCIES/NGR		2,699,663		1,722,961		1,379,000		446,420		1,825,420
	PROCUREMENT, DEFENSE AGENCIES										
4	CLASSIFIED EQUIPMENT		[ ]		[ ]		[ ]		[-7,300]		[ ]
9	INTELLIGENCE AND COMMUNICATIONS		[ ]		[ ]		[ ]		[-880]		[ ]
999	CLASSIFIED PROGRAMS		644,159		591,911		539,689		(8,180)		531,509
	TOTAL PROCUREMENT DEFENSE AGENCIES								(8,180)		
	ARMY RESERVE										
1	MISCELLANEOUS EQUIPMENT	0	85,000	0	0				30,000		30,000
	NAVY RESERVE										
2	MISCELLANEOUS EQUIPMENT	0	22,100	0	0				10,000		10,000
4	SEABEE EQUIPMENT	0	15,000	0	0				20,000		20,000
	MARINE CORPS RESERVE										
8	MISCELLANEOUS EQUIPMENT	0	0	0	0				10,000		10,000
	AIR FORCE RESERVE										
10	MISCELLANEOUS EQUIPMENT	0	35,000	0	0				10,000		10,000
	ARMY NATIONAL GUARD										
14	MISCELLANEOUS EQUIPMENT	0	100,000	0	0				50,000		50,000
24a	M1A1 TANK							60	130,000	60	130,000
	AIR NATIONAL GUARD										
25	MISCELLANEOUS EQUIPMENT	0	30,000	0	0				20,000		20,000
28	C-130 AIRCRAFT	8	160,000	0	0			8	163,000	8	163,000
	TOTAL GUARD AND RESERVE EQUIPMENT								443,000		
	CHEMICAL DESTRUCTION										
1	RESEARCH AND DEVELOPMENT	0	4,900	0	700		700		17,200		17,900
2	PROCUREMENT	0	96,600	0	123,000		74,000		(29,700)		44,300
3	CHEM DEMILITARIZATION - O&M	0	97,000	0	88,200		88,200		24,100		112,300
	TOTAL CHEMICAL DESTRUCTION								11,600		

ADDITIONAL PROCUREMENT FOR RESERVE COMPONENTS

The committee recommends a continuation of funding for the everyday equipment needs of Guard and Reserve units to offset existing equipment shortfalls. The committee recommends an additional $443.0 million be authorized in the following amounts:

Army National Guard—$130.0 million to procure M1A1 tanks and $50.0 million to procure miscellaneous equipment;

Air National Guard—$163.0 million to procure eight C-130 aircraft, and $20.0 million to procure miscellaneous equipment;

Army Reserve—$30.0 million to procure miscellaneous equipment;

Air Force Reserve—$10 million to procure miscellaneous equipment;

Navy Reserve—$10 million to procure miscellaneous equipment;

Reserve Seabees—$20.0 million to procure miscellaneous equipment; and

Marine Corps Reserve—$10.0 million to procure miscellaneous equipment.

The committee directs that the chief of each Guard and Reserve component provide to the House and Senate Committees on Armed Services and Appropriations a detailed report on the items to be procured with such funds within 120 days of enactment of this act.

TANK MODERNIZATION PROGRAM

The Army has developed a comprehensive armor-antiarmor plan that calls for modernizing the tanks in the National Guard. Currently, the National Guard operates over 3,000 older generation M-60 tanks. The Army's plan calls for placing M1 tanks in National Guard units, and replacing the 105mm cannons on early model M1s with the improved 120mm cannon. No funds were requested for that purpose in the budget, however, because the masterplan was developed after the budget was submitted.

The committee recommends that $15.0 million be provided in production base support to modify facilities to initiate conversion of the cannons. Further, the committee recommends that $130.0 million be provided to procure a battalion of M1A1 tanks for the National Guard. The committee believes that early deploying national guard units must have M1A1 tanks rather than converted early model M1s.

CHEMICAL DEMILITARIZATION

The National Defense Authorization Act for Fiscal Years 1988 and 1989 required the Department of Defense to submit a demilitarization plan that would take into consideration both safety and cost in determining the best means of eliminating the chemical stockpile. The Department submitted its latest Chemical Stockpile Disposal Plan on March 15, 1988 and at that time requested a delay in the Congressionally mandated disposal completion date from December 31, 1994 to April 30, 1997. The Department's proposal is based on a schedule which completes the demilitarization of the stockpile six years and four months after the successful completion of the operational verification at the Johnston Atoll demilitarization facility. The Department of Defense selected incineration as the baseline technology to be employed in the demilitarization process. The Department also recommended construction of a pilot cryofracture facility as a back-up technology. The committee approves the Department's proposal and has extended the deadline for completion of the destruction of the stockpile to April 30, 1997 (section 122).

The Fiscal Year 1986 Defense Authorization Act (Public Law 99-145) requires the Department of Defense to fund the chemical demilitarization program in an account separate from the budget accounts of any military department. This committee recognizes the national scope and sensitivity associated with the chemical demilitarization program and agrees that funding must not be jeopardized by encumbering a single military department. Accordingly, the committee recommends continuation of a separate DOD account, to include military construction, for funding this important program.

AUTHORIZATION FOR MULTIYEAR CONTRACTS

The administration requested authority to enter into multiyear contracts for the procurement of seven systems in fiscal year 1989. The following is a list of programs proposed for multiyear contracts and the projected savings when compared to annual contracts:

Proposed Multiyear Contract Programs

System	Percent savings
CH-47 helicopter modification	13.2
Multiple launch rocket system	11.4
AV-8B	11.9
UHF follow on satellite system	11.5
Defense meteorological satellite system	18.1
F-16 C/D aircraft	5.7
H-60 series competitive engine	12.0

The committee has consistently supported multiyear contracting as a means to achieve program stability and savings. The committee approved the administration's proposal for multiyear contracts for all programs except the UHF Follow On Satellite System. The committee believes it is premature to consider a multiyear procurement proposal for the UHF Follow on Satellite System because it is a new program, and because of concern about the cost of procuring launch services for delivery of the satellite to orbit.

The committee approved the F-16 multiyear request on a conditional basis. While the Air Force forecasts only a 5.7 percent savings, the current multiyear contract has saved 9.9 percent. The committee approves proceeding with a multiyear contract for the F-16 only if the Air Force is able to achieve at least a 10 percent savings.

As discussed elsewhere in the committee report, the committee also recommends that the Army enter into multiyear contracts for procurement of M-1 tanks and AH-64 helicopters.

The committee also included a provision concerning restrictions on a Navy multiyear contract for the AV-8B. That provision is discussed elsewhere in this report.

TITLE II—RESEARCH, DEVELOPMENT, TEST AND EVALUATION

The recommendations of the committee for the research, development, test and evaluation of various defense weapons and equipment appear in the following pages.

UNDISTRIBUTED REDUCTIONS

The committee recommends undistributed reductions as shown in specific tables as well as undistributed reductions in classified programs. Additional information concerning these classified undistributed reductions is included in a separate, classified annex to this report. Undistributed reductions are made without prejudice to any particular programs, but are not to apply to any programs for which the committee has made recommendations for programmatic or funding increases.

CHANGES TO ARMY RESEARCH AND DEVELOPMENT

R-1 Line	PE	Program	FY 1988 Estimate	Original FY 1989 Request	Revised FY 1989 Request	Senate Change to Request	Senate Authorized
		TOTAL RDT&E, ARMY	4,670,659	5,972,845	5,030,700	(22,300)	5,008,400
		CHANGES TO REQUEST					
39	0603270A	EW TECHNOLOGY	39,468	[ ]	[ ]	[5,000]	[ ]
996		ADV TECHNOLOGY DEVELOPMENT CLASSIFIED	0	43,999	47,853	5,000	52,853
54	0102814A	SPECIAL PROGRAMS	[ ]	[ ]	[ ]	[-50,000]	[ ]
997		STRATEGIC CLASSIFIED	118,462	87,233	80,108	(50,000)	30,108
61	0603612A	ADVANCED ANTI-TANK WEAPON SYSTEM	33,566	117,446	21,763	40,000	61,763
98	0604270A	EW DEVELOPMENT	44,499	[ ]	[ ]	[4,000]	[ ]
110	0604630A	M1A1 DEVELOPMENT PROGRAM	0	0	0	50,000	50,000
143	0203735A	COMBAT VEHICLE IMPROVEMENT PROGRAMS	122,746	81,170	82,837	13,900	96,737
152	0203802A	OTHER MISSILE PRODUCT IMPROVEMENT PROGRA	40,000	25,454	30,803	8,800	39,603
		CLASSIFIED PROJECT				30,000	30,000
		ITV HELLFIRE MODERNIZATION				6,000	6,000
		UNDISTRIBUTED REDUCTION, TACTICAL PROGRAMS				(120,000)	(120,000)
998		TACTICAL CLASSIFIED	330,334	669,338	726,289	4,000	730,289
172	0605603A	ARMY USER TEST INSTRUMENTATION AND THREA	59,186	73,188	63,936	(20,000)	43,936
183	0605894A	REAL PROPERTY MAINTENANCE - RDT&E	155,000	171,106	161,974	6,000	167,974
184	0605896A	BASE OPERATIONS - RDT&E	177,500	189,524	183,708	4,000	187,708
		TOTAL RDT&E ARMY				(22,300)	

ELECTRONIC WARFARE VULNERABILITY ASSESSMENT

The committee is concerned that in a period of reduced funding the Army maintain its ongoing vulnerability assessment of fielded weapon systems, especially in the area of electronic warfare and command, control and communications. The committee notes that funding in this area has been reduced significantly. The committee recommends an increase of $9 million to support ongoing Army vulnerability assessment activities.

COUNTERMINE TECHNOLOGY

The committee notes that mines have historically been one of the primary anti-armor systems in combat, yet disturbingly little attention is paid both to mine warfare and countermine warfare. The committee notes that the army has requested insufficient funds for countermine warfare. The committee invites the Army to reassess its requirements for countermine warfare and submit a reprogramming to restore funding for critical new technologies.

ARMOR-ANTIARMOR INITIATIVE

As noted in the introduction, one of the key deficiencies facing conventional forces is the deterioration of United States capabilities in the armor-antiarmor competition with the Soviet Union. Not only is the Soviet Union fielding more tanks and anti-tank systems, but those systems have an increasing qualitative advantage over U.S. systems, and the gap is widening. The committee has concluded that the deteriorating armor-antiarmor balance is a matter of utmost national concern and merits the highest national priority.

The committee recommends several R&D initiatives as emergency interim initiatives to halt the deteriorating balance. The committee recommends the following increases in research and development funding for fiscal year 1989:

—$8.8 million for TOW 2A and Hellfire system upgrades (P.E. 0203802A) to increase the lethality against advanced armors;

—$13.9 million to accelerate the introduction of the Commanders Independent Thermal Viewer (CITV) in the Block 2 upgrade to the M1 tank (P.E. 0203735A);

—$6.0 million to initiate a modernization program for the Improved TOW Vehicles by replacing the existing TOW missiles with Hellfire missiles;

—$40.0 million to accelerate the development of the ground-launched hypervelocity missile;

—$30.0 million for a classified project.

The Defense Science Board Task Force on Armor-Antiarmor recommended that future armament improvement programs should be set at a pace which provides a rate of modernization equal to the expected rate of improvement in threat systems. Intelligence estimates forecast the introduction of improved Soviet tanks in the mid-1990s. The committee believes it is imperative that a comparable modernization program be initiated to introduce significant improvements to the M1 tank through block upgrades.

The committee understands that it would be possible to integrate a new generation light-weight 120mm cannon, improved engines, a reduced-volume turret and advanced fire control systems on the M1 tank by 1995. Therefore, the committee recommends that $50.0 million be included in the budget to initiate developments of a Block 3 configuration for the M1 tank, and expects the Army to budget sufficient resources to continue this development in order to introduce these features on the M1 by 1995. The committee believes such improvements are required to sustain the U.S. position in the long term armor-antiarmor competition.

ADVANCED ANTITANK WEAPONS SYSTEM–HEAVY

The committee recommends authorization of $61.763 million for the Army's Advanced Antitank Weapons System–Heavy (AAWS–H) Program, an increase of $40.0 million to the administration's request.

The Hypervelocity Missile, a candidate for AAWS–H, has the potential to provide U.S. ground forces with a significant overmatch in penetration of future Soviet tank armor.

The committee strongly supports the Hypervelocity Missile Program and intends that the additional $40.0 million will be used solely to accelerate the ground-launched system.

MULTI-HELICOPTER EXTERNAL LIFT SYSTEM

The committee has learned of a concept for physically linking two existing CH–54 helicopters with a rigid truss, so that the tandem helicopters can be used to unload cargo containers from ships when rough seas do not permit operation of cranes. The committee believes this concept holds promise and encourages the department and the contractor to demonstrate this capability, utilizing funds provided by the Product Evaluation Activity, which is discussed elsewhere in this report.

MILAN II AND BOFORS BILL

The Army has been evaluating the Milan II and Bofors bill antitank missiles for potential procurement as an interim system until the Advanced Anti-Tank Weapon System-Medium is ready for procurement. Interim test results indicate that neither system warrants further consideration. The committee remains convinced that the AAWS–M is the only viable long term solution to the medium anti-tank missile requirement. The committee believes any interim investment should be limited to improvements to the Dragon missile system. The committee included a provision (section 211) removing restrictions on the AAWS–M program.

RUGGEDIZED PLASTIC MATERIAL FOR AMMUNITION PACKAGING

The committee has learned of a concept for utilizing durable and ruggedized plastic material for ammunition packaging. The committee believes this concept should be considered for evaluation under the Product Evaluation Fund, discussed elsewhere in this report.

30/30 ENGINEERING VEHICLE

The committee has learned of a unique engineering vehicle called the 30/30 Engineering Vehicle, developed by the Caterpillar

Corporation. The committee believes the vehicle might have applicability for light divisions. The committee believes the 30/30 Engineering Vehicle should be a candidate for funding under the Product Evaluation Activity, which is discussed elsewhere in this report.

CHANGES TO NAVY RESEARCH AND DEVELOPMENT

R-1 Line	PE	Program	FY 1988 Estimate	Original FY 1989 Request	Revised FY 1989 Request	Senate	
						Change to Request	Authorized
		TOTAL RDT&E, NAVY	9,512,917	10,044,819	9,216,200	58,400	9,274,600
		CHANGES TO REQUEST					
69	0603321N	ADVANCED AIR-TO-AIR MISSILE (AAAM)	16,637	87,592	30,374	10,000	40,374
98	0603591N	JOINT ADVANCED SYSTEMS	224,550	236,620	236,620	15,400	252,020
113	0603717N	COMMAND AND CONTROL SYSTEMS	0	0	27,504	5,000	32,504
123	0603741N	SATELLITE LASER COMMUNICATIONS	0	0	5,269	20,000	25,269
149	0604255N	ELECTRONIC WARFARE SIMULATOR DEVELOPMENT	33,846	43,401	38,751	(20,000)	18,751
160	0604309N	SEA LANCE	105,038	113,518	50,000	15,000	65,000
225	0204136N	F/A-18 SQUADRONS	11,929	19,897	13,160	23,000	36,160
		ADVANCED TACTICAL FIGHTER				65,000	65,000
		NAVY OCEANOGRAPHY PROGRAM				3,000	3,000
		OCEANOGRAPHIC & METEOR. INSTRUMENTATION				2,000	2,000
		UNDISTRIBUTED REDUCTION, TACTICAL PROGRAMS				(80,000)	(80,000)
		TOTAL RDT&E, NAVY				58,400	

GAS TURBINE PROPULSION PLANT IMPROVEMENTS

The committee is aware that modern gas turbine propulsion plants can be significantly improved in efficiency and performance through certain modifications to the gas turbines and by incorporation of electric drive. The committee encourages the Navy to proceed with this high pay-off technology as rapidly as possible.

RAMP/RTIF PROGRAM

The Navy's Rapid Acquisition of Manufactured Parts (RAMP) program is designed to provide an alternative source for long lead time parts and diminishing parts critical to Navy logistics in an effort to support fleet readiness. The committee feels that this concept may provide long term cost savings in addition to improving fleet readiness, and therefore directs the Secretary of the Navy to execute lots 1-6, or their equivalents, in the RAMP/RTIF Step II contract through fiscal year 1990. The Secretary of the Navy is further directed to report to the Committees on Armed Services of the Senate and House of Representatives by February 1, 1989 on a long-range implementation plan for the RAMP program beyond fiscal year 1990.

SEA LANCE

The administration requested $50.0 million in fiscal year 1989 for research and development of the Sea Lance program.

The committee recommends authorization of $65.0 million for research and development of the Sea Lance program, an increase of $15 million to the request.

The committee notes the Sea Lance program was reduced by over $60.0 million from the original fiscal year 1989 request. This is considered a key ASW program, and the increase recommended by the committee is to help restore funding.

F/A-18 RADAR UPGRADE

The fiscal year 1988 authorization act provided $40.0 million to initiate a radar modernization program for the F/A-18 aircraft. The committee is concerned that the current radar is not sufficiently effective in an electronic-jamming environment. The radar also can be modified to serve as a ground-attack radar. With this feature, the F/A-18 can serve as a supplement to the A-6 aircraft until the new generation A-12 medium bomber is delivered to the fleet.

The fiscal year 1988 appropriations act did not appropriate funds to initiate the radar upgrade program. The committee remains convinced that this is a valuable improvement to the F/A-18 and recommends that $20.0 million be provided to initiate development. The committee understands that other NATO countries are interested in pursuing the radar upgrade. The committee encourages such collaborative development through the NATO Cooperative Research and Development program, if appropriate.

The committee is concerned, however, that the projected cost of the upgrade program appears excessive. The committee understands that several alternative approaches are available for consideration and encourages the Navy to pursue those alternatives in order to reduce the overall cost of the program.

The committee also recommends that $3.0 million be provided to continue development of the F-18 advanced tactical reconnaissance program.

SATELLITE LASER COMMUNICATIONS

The committee has long advocated the most robust command, control and communications systems possible with our submarine forces. For this reason, the committee recommends authorization of $25,269 million for the Satellite Laser Communications (SLC) program in the Navy, an increase of $20 million to the administration request.

The SLC system should be viewed primarily as a system to enhance communications with our tactical submarine forces (SSNs). However, the committee recognizes the potential of such a system to enhance connectivity to our submarine-based strategic forces (SSBNs), as well as for a variety of other missions. The added funding in fiscal year 1989 is to make possible the start of a full scale development program in the early 1990s.

SUPERSONIC SLED TRACKS

Last year the committee expressed concern that the consolidation of supersonic test track activities recommended in the audit report of the DOD Inspector General entitled "Supersonic Sled Tracks" (Report 85-085) had not been implemented.

The original 1985 IG Report had determined that DOD had excess capacity in sled test tracks and could more cost-effectively accomplish at Holloman AFB the workload then performed at one of the tracks at the Naval Weapons Center (NWC) at China Lake. The IG report also recommended against construction of a new track facility at China Lake at a cost of up to $52 million to replace the NWC's existing Supersonic Naval Ordnance Research Track (SNORT), which was built in 1953 and which was "approaching the end of its useful life because of structural deterioration which will result in degradation of capabilities from original design specifications", according to Navy documents at the time.

The committee has been informed that despite the earlier Navy and Army Corps of Engineers predictions that the SNORT track would come to the end of its useful life by 1987, the Navy today projects 10-20 years more of viable testing on the SNORT Track. The velocity-weight envelope for SNORT tests will gradually contract during that period and those more complex tests outside the envelope will be shifted to Holloman AFB. Furthermore, the Air Force and Navy have apparently determined that carrying out the current SNORT test load at Holloman AFB, which does have excess sled track capacity, would cost at least an additional $1.1 million annually, contrary to the 1985 IG Report's findings.

The committee remains skeptical about SNORT's apparent recovery from obsolescence. In light of future budget constraints, the committee would encourage the Secretary of Defense to continue to look at the potential duplication in the Department's test assets and to eliminate unnecessary duplication where it is uncovered. In the mean-time, the committee reiterates that it will not support a SNORT replacement at China Lake and that it expects the SNORT workload to gradually shift to Holloman AFB.

OCEANOGRAPHIC AND METEOROLOGICAL INSTRUMENTATION

The committee recommends authorization to continue the development of state-of-the-art instrumentation for at-sea measurements of oceanographic and meteorological variables and related activities at the center to be established at the Woods Hole Oceanographic Institution (WHOI). Ongoing research will also be directed at understanding the ocean and marine atmosphere in order to interpret data in support of national security. The focus of this initiative is to ensure the availability of high quality, in-situ measurements of ocean current, temperature, and density fields and of wind velocity, barometric pressure, air temperature, solar and long wave radiation, and relative humidity in the atmosphere just above the sea surface.

The center would continue the work authorized and funded initially in fiscal year 1988. The development efforts would center around providing the equipment needed to initiate a program to replace the nearly twenty year old instruments now used for most oceanographic and meteorological measurements with more capable and cost effective techniques.

The committee recommends authorization of $2 million in the Navy RDT&E account, for the continued upgrade of oceanographic and meteorological instrumentation at the Woods Hole Oceanographic Institution (WHOI). The committee expects the obligation of fiscal year 1988 appropriated funds for this purpose to occur without further delay.

HIGH-SPEED ASSAULT LANDING CRAFT (HAVIC)

The committee understands that the Marine Corps is considering the purchase of the High-speed Assault Vehicle and Interdiction Craft (HAVIC). This landing craft is faster than conventional landing craft, which will need replacement, and it may be compatible with a variety of ship platforms. It may also be suitable as a complement to the LCAC air-cushion landing craft, which is not deployable with some of the current amphibious assault ships.

The committee recommends the Marine Corps consider acquiring and testing several of these assault landing craft for use as nondevelopmental items in meeting requirements for replacement landing craft.

RAPID AIR DEFENSE INTEGRATION

Funds were authorized in the fiscal year 1988 Defense Authorization Act to support a Navy effort to build a prototype system integrating Navy shipboard "stand alone" point defense systems. It has become increasingly apparent that the ability to integrate existing systems is a necessary first step to the successful management of future stressing threats. System processing and integration are strong points of United States technology, and the rapid application of this technology to existing systems holds great promise. Accordingly, the Navy is encouraged to reprogram funds otherwise made available to prototype an at-sea demonstration of point defense integration in calendar year 1990. The committee directs the Secretary of the Navy to provide a plan by March 31, 1989 to the Committees on Armed Services of the Senate and House of Representatives for carrying out this program.

ADVANCED SUBMARINE TECHNOLOGY PROGRAM

The administration did not request authorization for funding in RDT&E in fiscal year 1989 for the Advanced Submarine Technology Program under the management of the Defense Advanced Research Projects Agency.

The committee notes this program was created by the Congress in fiscal year 1988, and the department made all reports required and has created a worthy program. The absence of a funding request in the amended fiscal year 1989 budget request may have been a result of the amending a previous request; however, the committee believes the Secretary of Defense should ensure this program is included in future fiscal year funding requests so that management control can be maintained.

NAVAL OCEANOGRAPHY PROGRAM

The administration did not request funding for the Naval Oceanography Program in fiscal year 1989.

The committee recommends authorization of $3.0 million in RDT&E for the Naval Oceanography Program.

The Naval Oceanography Program, a 5-year research and development program initiated in fisal year 1986, is designed to analyze and model the 3-dimensional, underwater acoustic field on a local and regional basis. Significant progress has been accomplished in this area and the Naval Oceanography Program models and analytical products are beginning to have impact in the Navy.

FAST SEALIFT DEVELOPMENT

For a number of years, the committee has been aware of, and concerned about, the significant gap in the Nation's strategic capability caused by the lack of fast sealift. Hearings this year revealed that solutions to this deficiency are no closer than when the Congress expressed its concern early in the decade by requiring the Congressionally Mandated Mobility Study.

Recognizing that a lack of progress in this area may be due to the nature of the bureaucracy and the internal ordering of priorities, the committee believes the time has arrived when fast sealift should enjoy a higher priority. Indeed, because of the timing an opportunity may exist to apply the benefits of new technologies to develop a fast sealift ship the design of which could prove of great benefit to the merchant marine and which may well serve to satisfy some of the requirements for the amphibious force which is fast approaching block obsolescence.

Accordingly, the committee will hold hearings attendant to the fiscal year 1990 budget request to determine the adequacy of the program to develop a fast sealift capability for the Nation. In preparation for that hearing the Secretary of the Navy will cause to have prepared a program for the development of a ship of suitable size and capability for the fast sealift mission and the amphibious mission. The ship should embody hull and machinery technology enabling speeds at least in the range of forty to fifty knots. To the greatest degree possible the hull and machinery technology should be common with that envisioned for the battle force capable surface combatant of the next century. While not a controlling parameter, the designers should be mindful of the potential for technology transfer to the merchant marine.

The Secretary of the Navy will form a design review panel to consist of the Commandant of the Marine Corps, the Commander in Chief of the United States Transportation Command and the Maritime Administrator. It should be anticipated that the program will be presented at the committee hearing and should detail characteristics, development costs, probable construction costs and best estimates regarding fleet size required for the sealift mission and the amphibious mission, as may be applicable. A report containing these particulars shall be made to the Committee on Armed Services of the Senate and House of Representatives by January 1, 1989.

The Secretary of Defense is invited to participate in the development of this program and to ensure appropriate funding is provided in the fiscal year 1990 budget request.

LIGHT WEIGHT EARLY WARNING DETECTION SYSTEM

The administration did not request funds in fiscal year 1989 for procurement of the Light Weight Early Warning Detection System.

The committee recommends authorization of $5.0 million for procurement of the Light Weight Early Warning Detection System.

The committee supports a competitive non-developmental item (NDI) approach for acquisition of an alerting and cueing capability for Marine Corps Stinger missile teams. But, the committee is concerned that without a budget line for such an effort, industry response may be limited.

LIGHT ARMORED VEHICLE—ASSAULT GUN

The committee strongly supports the Marine Corps effort to develop an effective assault gun variant of the Light Armored Vehicle.

The primary consideration in developing the assault gun will be that of meeting Marine Corps operational requirements while minimizing life-cycle costs.

The committee also notes that the Commandant of the Marine Corps has stated that the Marine Corps has no intention of developing a "new and larger LAV". If the Marine Corps finds it necessary to make significant changes to the present LAV baseline chassis to accommodate the cannon selected, the Marine Corps is directed to notify the committee in writing.

The committee, therefore, directs the Marine Corps to continue its evaluation and report results to the committee by November 1, 1988. The report should address as a minimum: development costs, lethality, support costs, U.S. Army support, technical risks, and ammunition considerations.

CHANGES TO AIR FORCE RESEARCH AND DEVELOPMENT

R-1 Line	PE	Program	FY 1988 Estimate	Original FY 1989 Request	Revised FY 1989 Request	Senate Change to Request	Senate Authorized
		TOTAL RDT&E, AIR FORCE	15,165,388	17,728,571	14,932,100	(210,391)	14,721,709
		CHANGES TO REQUEST					
35	0603269F	NATIONAL AERO SPACE PLANE TECHNOLOGY PRO	183,000	306,288	244,767	(14,000)	230,767
56	0603110F	SPECIAL EVALUATION PROGRAM	[ ]	[ ]	[ ]	[-10,000]	[ ]
61	0603364F	SHORT RANGE ATTACK MISSILE II (SRAM II)	174,320	231,589	231,467	(30,000)	201,467
74	0604312F	(SMALL ICBM)	700,000	2,228,791	200,000	(150,000)	50,000
74	0604312F	(MX RAIL GARRISON)	332,268	1,192,902	792,891	(92,891)	700,000
77	0604406F	SPACE DEFENSE SYSTEM (PY SAVINGS)	131,852	385,812	0	(16,000)	(16,000)
105	0305124F	SPECIAL APPLICATIONS PROGRAM	[ ]	[ ]	[ ]	[-10,000]	[ ]
		MINUTEMAN PENAIDS (PY)	0	0	0	(10,000)	(10,000)
997		STRATEGIC CLASSIFIED	3,266,829	2,312,426	2,830,236	(20,000)	2,810,236
110	0603230F	ADVANCED TACTICAL FIGHTER	498,054	702,995	702,283	(15,000)	687,283
137	0604242F	ADVANCED TACTICAL AIRCRAFT (ATA)	[ ]	[ ]	[ ]	[22,000]	[ ]
145	0604314F	ADVANCED MEDIUM-RANGE, AIR-TO-AIR MISSIL	23,906	0	0	30,000	30,000
174	0101133F	SR-71 SQUADRONS	[ ]	[ ]	[ ]	[20,000]	[ ]
186	0207217F	FOLLOW-ON TACTICAL RECONNAISSANCE SYSTEM	42,833	54,084	56,562	(15,000)	41,562
205	0303605F	SATELLITE COMMUNICATIONS TERMINALS	13,946	22,760	17,994	(8,000)	9,994
		UNDISTRIBUTED REDUCTION, TACTICAL PROGRA				(100,000)	(100,000)
998		TACTICAL CLASSIFIED	603,183	616,557	731,013	42,000	773,013
221	0301324F	FOREST GREEN	[ ]	[ ]	[ ]	[-5,000]	[ ]
229	0304111F	SPECIAL ACTIVITIES	[ ]	[ ]	[ ]	[243,500]	[ ]
		UNDISTRIBUTED REDUCTION (GPS,DSCS,DMSP,D	0	0	0	(10,000)	(10,000)
999		INTELLIGENCE/COMMUNICATIONS CLASSIFIED	1,981,911	1,796,331	1,845,762	238,500	2,083,762
235	0603402F	SPACE TEST PROGRAM	53,887	130,664	72,796	(20,000)	52,796
242	0604735F	RANGE IMPROVEMENT	55,782	46,603	40,065	(20,000)	20,065
		TOTAL RDT&E, AIR FORCE				(210,391)	

KC-135 REENGINING—R&D AIRCRAFT

The committee understands that there are several KC-135 RDT&E aircraft, such as the Big Crow electronic warfare plane, which are currently very low in the queue for new engines. The committee requests that the Under Secretary of Defense for Acquisition examine the priority currently assigned to reengining these aircraft and determine whether adjustments are needed. A report shall be submitted to the Armed Services Committees of the Senate and House of Representatives no later than March 1, 1989.

ADVANCED STRATEGIC MISSILE SYSTEM

The committee attaches very high priority again this year to the Advanced Strategic Missile System (ASMS) program. This reflects the strong and continuing support the committee attaches to pursuing a technology effort to provide the basis for future modernization of the ICBM force. Efforts contained within the ASMS program include ICBM penetration aids, maneuvering reentry vehicle (MARV) technology, advanced missile technology, and technologies related to destroying deeply buried and relocatable targets.

Support of these technologies within the ASMS program is even more important this year in view of budgetary actions which have led to the termination of the full scale development program to develop penetration aids for Minuteman III missiles, and the very uncertain future of the Small ICBM program.

The committee has strongly supported the Minuteman penetration aids program, believing that a full scale development program was the only certain way to provide a hedge against the possibility of a Soviet breakout of the ABM Treaty. There is no evidence to suggest that technology efforts alone can sufficiently reduce the leadtime required to deploy countermeasures should the Soviets choose to break out of the ABM Treaty. Given the existing budgetary constraints, however, the committee recommends that the Department of Defense complete, to the extent feasible, the testing of the passive decoy and chaff that were under development in the Minuteman program.

Moreover, the committee recommends that the Air Force give emphasis to the development of advanced guidance technologies under the Advanced Missile Technology portion of the ASMS program. Such efforts should focus both on nearer-term guidance options with potential for small ICBM or Minuteman upgrade application, such as were considered under the Advanced Inertial Navigation System (AINS) program, and on longer-term, more revolutionary technologies with as yet undefined applications.

The committee recommends authorization of $152 million for the ASMS program, the full amount requested.

BOMBER MODERNIZATION

Since 1981, bomber modernization and related programs have received more funding than any other component of the strategic modernization program, and have received a corresponding amount of scrutiny by the committee.

The accomplishments in the bomber modernization program over that period have been significant. 100 B-1B bombers have been produced ahead of schedule and within cost; B-52s have been upgraded with Air Launched Cruise Missiles and a second, much more effective Air Launched Cruise Missile is under development; impressive progress has been made on developing a revolutionary B-2 bomber; a much needed development of a new SRAM missile has been initiated; and our strategic tanker capability has been increased significantly with the reengining program.

These accomplishments have not been without their setbacks, and the performance of the B-1B electronic countermeasures (ECM) system, the ALQ-161, has been particularly disappointing. The committee will continue to review the program which the Congress has mandated to restore full capability to the B-1B.

Notwithstanding the limitations on the B-1B aircraft as delivered, particularly with the electronic countermeasures system, the committee has received classified testimony with respect to the utilization of the B-1B aircraft in a penetrating mission as part of our retaliatory plans today.

Last year, the committee took the position that it would not support modifications to the B-1B aircraft until the problems with the ECM system were in hand. The fiscal year 1989 amended budget request appears to have taken that same approach, in that no funds are requested for B-1B modifications. The committee continues to believe that our first priority must be to establish with confidence the baseline B-1B electronics countermeasures capability. At the same time, the Air Force should not interpret this priority as foreclosing options in the future for the B-1B that would improve its effectiveness for the strategic or for conventional missions.

Recognizing the importance of our strategic bomber force modernization, particularly if a Strategic Arms Reduction Treaty (START) is realized, the committee recommends the full amount requested for bomber related programs, except for a reduction of $30 million to the SRAM II (owing to a delay in B-1B integration), and the addition of $63 million for an additional 4 kits for the KC-135R re-engining program.

The committee notes with displeasure the absence of required bimonthly reports on progress on the B-1B electronic warfare system and urges the Department to improve the timeliness of required reports.

ANTI-SATELLITE SYSTEM (ASAT)

In the fiscal year 1988-1989 authorization, the Senate Armed Services Committee recommended and the Senate approved lifting the moratorium on testing the F-15 launched Miniature Homing Vehicle (MHV) ASAT against objects in space. The committee based its actions on the contribution of the MHV to deterring actions by the Soviets that might impede, damage or destroy our important space assets, and by the ability of the MHV to deny Soviet space-based capabilities that could threaten our terrestrial forces in time of war. This position, however, did not prevail in the conference.

The conferees did agree that the MHV ASAT program be restructured to complete all remaining research and development activities not related to testing in space, production verification or production, and to provide for delivery of the remaining test missiles to Edwards Air Force Base to support a limited operational capability.

The committee was thus disappointed to learn that in the absence of testing, the Department of Defense took the position in the amended fiscal year 1989 budget request that no further expenditure for the MHV program was warranted, and that the assets already procured would have little operational utility. In view of this position, the committee recommends the deletion of $16 million in prior year RDT&E funds that are in excess of program requirements.

The committee has received no testimony this year that would lessen the requirement for a viable anti-satellite program to satisfy both deterrence and warfighting requirements, nor has it received any comprehensive indication of how the Department of Defense plans to satisfy these requirements in the future, either with kinetic energy systems, or with directed energy systems.

For this reason, the committee included a legislative provision (section 236) calling for a comprehensive report describing the requirements underlying the space control mission, a net assessment of U.S. and Soviet space control capabilities, and a plan to satisfy space surveillance requirements.

WIDE AREA ANTI-ARMOR MUNITION

In light of the deteriorating armor-antiarmor balance, the committee emphasizes the importance of future anti-armor systems. The committee encourages the Air Force to award high priority to the Sensor Fused Weapon program, and especially to the Wide Area Anti-Armor Munition component of the program. The committee concurs with the Air Force's plan to introduce second source production at the earliest possible point in the program.

SR-71 AIRCRAFT

The SR-71 reconnaissance aircraft has been operated by the Air Force for over 20 years, yet it remains the only highly survivable aircraft that the United States operates for intelligence gathering purposes. The amended fiscal year 1989 budget request proposes to reduce the number of operating aircraft and close the rework facility at Palmdale, California, which also operates as a depot for the aircraft. The Palmdale facility not only provides SR-71 rework services, but also maintains a field repair team that has been dispatched numerous times in recent years to repair deployed aircraft. These services could not have been performed by Air Force personnel.

The committee supports the Air Force decision to reduce SR-71 operations in the current budget situation. However, the committee does not think it is prudent to close the rework facility at Palmdale until such time that the SR-71 program is terminated or fails to constitute a viable option for gathering intelligence. The committee is concerned that the current status of our space program and the possible utilization of the SR-71 in contingency operations requires a rework facility, as long as the SR-71 is maintained in the operating forces.

The committee recommends transfer of $20.0 million from the request for the Airborne Reconnaissance Support Program. The committee questions the plausibility of developing follow-on airborne reconnaissance systems if the Air Force cannot afford to operate existing ones.

NATIONAL CENTER FOR MANUFACTURING SCIENCES

The committee notes that under the President's December 16, 1986 domestic action plan for the machine tool industry, the Defense Department will provide up to $5 million per year over three years to support the private sector National Center for Manufacturing Sciences (NCMS); $5 million was provided for the NCMS in the form of a grant in fiscal year 1988. The committee fully supports the NCMS and authorizes $5 million for fiscal year 1989 to provide support for NCMS in the form of a grant made from funds authorized for the Air Force Manufacturing Technology (MANTECH) program.

CHANGES TO DEFENSE AGENCIES RESEARCH AND DEVELOPMENT

R-1 Line	PE	Program	FY 1988 Estimate	Original FY 1989 Request	Revised FY 1989 Request	Senate	
						Change to Request	Authorized
		TOTAL RDT&E, DEFENSE AGENCIES	7,661,825	10,120,664	8,667,800	38,441	8,706,241
		TOTAL DIRECTOR TEST & EVALUATION	182,116	186,128	166,900	(16,000)	150,900
		TOTAL OPERATIONAL TEST & EVALUATION	70,221	149,657	143,400	(10,000)	133,400
		CHANGES TO REQUEST					
3	0601103D	UNIVERSITY RESEARCH INITIATIVES	85,000	0	95,000	25,000	120,000
5	0601104D	DEFENSE UNIVERSITY RESEARCH INSTRUMENTAT	24,608	0	0	25,000	25,000
11	0602712E	MATERIALS AND ELECTRONICS TECHNOLOGY	59,000	26,700	20,540	2,000	22,540
12	0602714E	NUCLEAR MONITORING	24,330	22,600	22,600	15,000	37,600
		SDI-GENERAL	3,531,224	6,254,699	4,521,121	(271,121)	4,250,000
21	0603225D	JOINT DOD-DOE MUNITIONS TECHNOLOGY DEVEL	14,768	8,614	7,716	17,284	25,000
22	0603226E	EXPERIMENTAL EVALUATION OF MAJOR INNOVAT	215,133	272,246	225,046	(10,000)	215,046
27	0603706D	MICROWAVE/MILLIMETER WAVE MONOLITHIC INT	45,466	86,038	67,064	(14,500)	52,564
29	0603737D	BALANCED TECHNOLOGY INITIATIVE	200,000	0	238,000	100,000	338,000
32	0603756D	CONSOLIDATED DOD SOFTWARE INITIATIVES	24,567	30,726	37,120	8,000	45,120
37	0603741D	AIR DEFENSE INITIATIVE	49,224	0	213,574	(50,000)	163,574
52	0301011G	CRYPTOLOGIC ACTIVITIES	[ ]	[ ]	[ ]	[-19,400]	[ ]
58	0305154I	AIRBORNE RECONNAISSANCE SUPPORT PROGRAM	87,100	0	98,561	(20,000)	78,561
999		INTELLIGENCE/COMMUNICATIONS CLASSIFIED	1,166,295	1,314,950	1,178,121	(19,400)	1,158,721
65	0603739D	SEMICONDUCTOR MANUFACTURING TECHNOLOGY	98,450	50,000	44,785	55,215	100,000
69	0605107D	GENERAL SUPPORT FOR POLICY	5,470	8,654	5,747	(5,747)	0
83	0605898C	MANAGEMENT HEADQUARTERS (STRATEGIC DEFEN	19,776	27,330	24,790	(3,790)	21,000
		CLASSIFIED				(75,000)	(75,000)
		OSD CLOSE AIR SUPPORT				15,000	15,000
		EXTENDED AIR DEFENSE				50,000	50,000
		THREAT SIMULATOR DEVELOPMENT				60,000	60,000
		PRODUCT EVALUATION ACT				15,000	15,000
		OPTOELECTRONIC MATERIALS				14,500	14,500
		DARPA MANTECH				106,000	106,000
		TOTAL RDT&E, DEFENSE AGENCIES				38,441	
		DIRECTOR TEST & EVALUATION					
7	0605804D	DEVELOPMENT TEST AND EVALUATION	63,919	67,965	67,137	(16,000)	51,137
		TOTAL DIRECTOR TEST & EVALUATION	182,116	186,128	166,900	(16,000)	150,900
		OPERATIONAL TEST & EVALUATION					
3	0605133D	SDS OT&E ORGANIZATION	0	0	10,000	(10,000)	0
		TOTAL OPERATIONAL TEST & EVALUATION	70,221	149,657	143,400	(10,000)	133,400

TECHNOLOGY BASE FUNDING

The committee is concerned that the technology base is not only inadequately funded, but that funds budgeted within program element 6.2 (Exploratory Development) are used for research and development that would be more properly funded within specific development and product improvement programs. While the committee does not necessarily consider the research inappropriate, it believes that such practices lead to a distorted understanding of actual support for technology base research by the Department. Accordingly, the committee recommends that the Director of Defense Research and Engineering review the 6.2 program elements (Exploratory Development) to determine if research being funded within those program elements is appropriately designated. In particular, the committee recommends a careful review of the Navy Nuclear Propulsion program (P.E. 0602324N). The committee will continue to review the Department's exploratory development research programs in the future for purposes of confirming that they are properly assigned in the technology base.

UNIVERSITY RESEARCH INITIATIVE PROGRAM

The fiscal year 1988 Defense Appropriations Act included a provision that no more than 14 percent of the funds authorized and appropriated for the University Research Initiative Program may be expended in any one state. The committee believes that research contracts under the University Research Initiative Program should be awarded on the basis of merit and not on the basis of such factors as the State in which an institution happens to be located. The committee has therefore included a provision to make clear that funds available to the Department of Defense by this or any other act may be obligated or expended in any State without limitation.

NUCLEAR MONITORING

The Nuclear Monitoring program conducts research and development to enhance U.S. capabilities for monitoring nuclear explosions and remotely detecting the presence of nuclear materials. This program also provides technical information for negotiations on nuclear testing.

The committee supports the continuation of the augmented seismic verification research effort begun in fiscal year 1988 to support the ongoing nuclear testing negotiations in Geneva and to follow up on progress made in the current program and in the university research program, particularly in the areas of regional seismic wave transmission, detection, and analysis, small magnitude event discrimination, and low-level yield estimation. The committee therefore recommends a total of $37.6 million for this program in fiscal year 1989, an increase of $15 million over the request and $13.3 million over the 1988 level.

STRATEGIC DEFENSE INITIATIVE (SDI) DEVELOPMENT AND TESTING RESTRICTION

During last year's conference on the National Defense Authorization Act for Fiscal Years 1988 and 1989, the conferees, working in cooperation with then-National Security Adviser Carlucci, crafted a compromise on the SDI development and testing issue (section 225) which specified that funds provided to the Defense Department for fiscal year 1988 and previous years for the development or testing of Anti-Ballistic Missile (ABM) systems or components could not be obligated or expended unless such development or testing was consistent with the development and testing described in the April 1987 SDI Organization (SDIO) Report to the Congress. The conferees agreed that "consistent with the development and testing described in the April 1987 SDIO Report" meant development and testing which did not involve space-based or other mobile-based ABM systems or components.

The conferees on last year's act further specified that funds provided to the Defense Department for fiscal year 1988 or prior years could not be obligated or expended for the acquisition of any material or equipment (including any long lead materials, components, piece-parts, test equipment, or any modified space launch vehicle) required or to be used for the development or testing of ABM systems or components unless such material or equipment was required for development or testing consistent with the development and testing described in the April 1987 SDIO report.

In adopting this provision in last year's act, the conferees agreed that nothing in this limitation was intended or could be construed to preclude SDIO or contractor planning activities (including studies, design activities or computer simulations) related to any development or testing of ABM systems or components, including development and testing not described in the April 1987 SDIO report. In addition, the provision specified that the Defense Department could request, through normal budgeting procedures, authority to acquire material or equipment related to ABM development or testing not described in the April 1987 SDIO report. However, the conferees directed that such requests would have to be specifically approved by the Congress in the form either of new legislation or Congressional approval of a transfer of funds through the procedures that traditionally have governed transfers.

This year's SDIO report, submitted in March, 1988, includes the following statement in an appendix dealing with SDI compliance with the ABM Treaty (Appendix C): "Currently, no experiment has been approved which would not fall within the categories used in Appendix D to the fiscal year 1987 report to the Congress on the SDI." At a hearing on April 18, Dr. Robert B. Costello, the Under Secretary of Defense for Acquisition and the senior DOD official responsible for reviewing the compliance of DOD program activities with U.S. legal obligations, confirmed that this statement means that, based on the experiments which have been approved to date, there are no SDI development or testing activities planned in fiscal year 1989, including long lead acquisition of material or equipment for such development or testing, which would conflict with section 225 of last year's bill.

At this hearing, Dr. Costello and General Abrahamson, Director of the SDIO, also testified that none of the SDI experiments which were cited in the March 1988 SDIO report as still being under compliance review would conflict with last year's provision. In addition, Dr. Costello confirmed that the 1985 Presidential directive requiring that the SDI program be conducted according to the restrictive interpretation of the ABM Treaty was still in effect. Finally, Dr. Costello agreed that what the administration is telling the Congress is that there is no requirement or plan for any development or testing—or for any long lead acquisition of unique material or equipment for such development or testing—in fiscal year 1989 that would conflict with last year's statutory restriction.

In light of the aforementioned statement contained in Appendix C of the March 1988 SDIO report, as further clarified by Dr. Costello and General Abrahamson at the April 18 hearing, the committee agreed to adopt a provision (section 223) which effectively extends section 225 in last year's act by one year. The provision specifies that funds provided to the Defense Department for fiscal year 1989 and previous years for the development or testing of ABM systems or components may not be obligated or expended unless such development or testing is consistent with the development and testing described in the March 1988 SDIO report. The committee agrees that "consistent with the development and testing described in the March 1988 SDIO report" means development and testing which does not involve space-based or other mobile-based ABM systems or components.

The provision further specifies that funds provided to the Defense Department for fiscal year 1989 or prior years may not be obligated or expended for the acquisition of any material or equipment (including any long lead materials, components, piece-parts, test equipment, or any modified space launch vehicle) required or to be used for the development or testing of ABM systems or components unless such material or equipment is required for development or testing consistent with the development and testing described in the March 1988 SDIO report.

In adopting this provision, the committee agrees that nothing in this limitation is intended or may be construed to preclude SDIO or contractor planning activities (including studies, design activities or computer simulations) related to any development or testing of ABM systems or components, including development and testing not described in the March 1988 SDIO report.

In addition, the provision specifies that the Defense Department may request, through normal budgeting procedures, authority to acquire material or equipment related to ABM development or testing not described in the March 1988 SDIO report. The committee directs that such requests would have to be specifically approved by the Congress in the form either of new legislation or Congressional approval of a transfer of funds. The committee further directs that no such transfer of any amount take place under this provision without prior notification and congressional approval through the procedures that traditionally have governed transfers.

BALANCED TECHNOLOGY INITIATIVE

The committee notes that the Department is making progress in establishing the Balanced Technology Initiative, but believes the Department must continue to focus management attention on the program to accelerate this progress. With the appointment of the Director of Defense Research and Engineering, a more stable management condition now exists that should prove beneficial to the BTI program.

The committee is concerned, however, with the Department's funding for fiscal year 1988 programs and its fiscal year 1989 budget request. The Department of Defense Authorization Act for Fiscal Years 1988 and 1989 directed that not less than $500 million be obligated for BTI programs in 1988, and not less than $300 million be obligated in fiscal year 1989. While the amount appropriated in fiscal year 1988 was only $100 million, the Department testified during hearings this year that it would seek an additional $100 million through a reprogramming request. The committee considers this a good-faith effort by the Department, but notes that the Department stated in testimony that only $100 million was needed in fiscal year 1988 to continue prior year programs because of start-up delays, and the additional $100 million would be for new projects. The committee questions the argument that only $100 million is needed in fiscal year 1988 to continue fiscal year 1987 programs. DOD testified last year that the fiscal year 1988 funding requirement for the programs initiated in fiscal year 1987 was $277 million. Presumably, that was based on a detailed assessment of what was required and could be spent. Furthermore, even if there were some technical reasons why the programs were proceeding more slowly than forecast, R&D funds may be obligated any time over a two year period.

The Department's amended request for fiscal year 1989 was for $238 million instead of the $300 million authorized last year. The Department has stated that these funds would be used to continue those BTI projects initiated in prior years. The committee is concerned that this level of funding may be insufficient to carry out the prior year programs, and will provide no funding for technological opportunities that arise in fiscal year 1989. Accordingly, the committee recommends that $338 million be authorized in fiscal year 1989, with $288 million to be available for those programs begun in fiscal years 1987 and 1988, and $50 million to be available only for new and innovative projects in fiscal year 1989.

BTI RELATIONSHIP IN NATO COOPERATIVE PROGRAMS

The committee believes a link must exist between BTI and the NATO cooperative defense programs if the alliance is going to maximize its resources for the common good. Thus, if BTI represents cutting-edge technology, the alliance will gain through common development. The committee supports Secretary Carlucci's comments in the Department's report, "Support of NATO Strategy in the 1990's," which outlined his intent to develop cooperative technology development programs with our NATO allies as the BTI program progresses. This must be a two-way street, however, and the committee expects the NATO allies to bring their cutting-edge technology to the table as well.

BTI LIMITATIONS

The committee again intends that no portion of the funds provided for BTI can be applied to any program, project, or activity in support of the Strategic Defense Initiative. The committee also reaffirms its direction that the Department consider the Balanced Technology Initiative a separate, independent program from the Conventional Defense Initiative.

ADVANCED TACTICAL AIRCRAFT/ADVANCED TACTICAL FIGHTER

The Navy has entered full scale development of the Advanced Tactical Aircraft (ATA) to replace the A-6 medium bomber, while the Air Force continues its demonstration/validation program for a next generation Advanced Tactical Fighter (ATF) to replace the existing F-15 fighter. The committee has consistently encouraged the Navy and the Air Force to coordinate their efforts, so the Air Force will procure the Navy's ATA for ground attack, and the Navy will procure the Air Force's ATF for fleet air defense.

In order to ensure that the Navy and Air Force can use the aircraft developed by the other service, the committee believes that the Navy must become involved in the ATF's demonstration and validation program and ultimately participate in the source selection, and the Air Force must participate in the ATA's full scale development program.

The committee notes that the amended fiscal year 1989 budget request included funds for Air Force participation in the ATA program, but no funds were requested for Navy participation in the Air Force's ATF program. The committee recommends that $65 million be provided to the Navy to participate in the ATF program, and directs the Navy to plan to budget a similar amount in fiscal year 1990. The committee also recommends that $35.0 million in research and development be provided to the Air Force for the ATA program.

The committee places the highest priority on insuring maximum commonality between the ATA and the ATF, particularly in the area of electronics. Differences in aircraft configuration should be limited to variations required because of unique service operating conditions and procedures.

The committee is concerned that as budget pressures build in the years ahead, the Navy and the Air Force will lessen their collaborative efforts and will discontinue plans to procure the respective service's aircraft. The committee emphasizes that restrictive budgets do not permit the Air Force to develop its own attack aircraft or the Navy to develop its own fighter. To insure that the service's remain committed to the current plans, the bill contains a provision (section 216) requiring the Secretary of Defense to certify (1) that the Air Force has reserved sufficient research and development funds in the Fiscal Year 1990 Five Year Defense Program to participate fully in full scale development and (2) the Navy has reserved sufficient research and development funds in the Fiscal Year 1990 Five Year Defense Program to participate fully in the ATF demonstration and validation program. The provision restricts the obligation of development funds for each program until the certification has been transmitted to the Congress.

The committee understands that the Navy is studying its requirements for fleet air defense in the future. The committee believes such analysis will be an important factor in weighing future

Navy budget requests, and directs the Navy to provide the results of its analysis to the Congress not later than March 1, 1989.

MARK XV IDENTIFICATION FRIEND OR FOE SYSTEM (IFF)

Distinguishing friendly from hostile combat aircraft, especially beyond visual ranges, is a critical deficiency in the NATO alliance. Analyses show that substantial combat losses in any future conflict will be self-inflicted because of the inability to distinguish friend from foe.

Five years ago the principle NATO countries adopted the Mark XV Identification Friend or Foe (IFF) system as a NATO standard identification system. For the United States, this represents a substantial financial commitment, projected at $7 billion. Despite the welcome commitment to a common IFF system, the committee has become concerned that the Mark XV does not solve the NATO IFF problem.

The Mark XV will only indicate "likely friends" and not positively identify hostile aircraft, because the system depends on a cooperative transponder aboard NATO aircraft that indicates it is a "friend" to the electronic interrogation. However, the transponder might not work if the aircraft has suffered battle damage. Similarly, the pilot could well turn off the transponder when entering enemy air space (so hostile interrogators cannot spoof it into revealing its identity) and the pilot might not turn on the transponder after returning back to friendly airspace. In both instances, the Mark XV will not know whether the unknown aircraft is a friend or foe.

The committee also has serious reservations about the way the department is implementing the Mark XV IFF program. The Air Force and Navy do not intend to install complete Mark XV interrogation sets on F-16 and F-18 aircraft, even though they both will carry missiles that can attack targets beyond visual ranges. And the Army intends to install Mark XV interrogators only on medium and high altitude air defense systems, while continuing to rely on the old Mark XII interrogation system on short range air defense systems. The substantial investment in the Mark XV will not solve the serious IFF problems in coordinating air and ground air defense operations. Further, the committee has received reports that the Air Force and the Navy have suggested further reductions in the Mark XV program.

Since the time the Mark XV program was adopted by NATO, the United States has explored several very promising potential approaches for unequivocal identification of hostile aircraft without depending on cooperative transponders. The committee believes this new approach, unavailable at the time the alliance adopted the Mark XV approach, could represent a superior solution.

The committee believes the administration must resolve this problem. There appear to be three alternatives. First, the administration can force the military departments to install the Mark XV on all the appropriate aircraft and air defense units. Second, the administration can terminate the Mark XV program and accelerate the non-cooperative IFF systems. The second course would require close collaboration with NATO allied countries. Third, the administration could choose to do both.

The committee believes resolution of this problem should have the highest priority, since future combat depends increasingly on beyond-visual-range air intercept missiles. The committee included a provision (section 217) which limits the obligation of funds for combat identification systems until the Secretary of Defense selects one of the three alternatives for solving the IFF problem. The programs included in the limitation are P.E. 603706A, 604709A, 604211N, 603724F, and 604725F.

AIR-TO-AIR MISSILES

The committee is concerned that insufficient attention is being devoted to future air-to-air missile requirements, and that the Air Force and the Navy are not coordinating their respective efforts to develop extended range missiles, despite similar objectives and available technologies. The fiscal year 1988 Appropriations Act reduced Air Force research and development funding, noting that those efforts duplicated work underway by the Navy. The conferees directed the development of the next generation air-to-air missiles should be done jointly between the Navy and the Air Force.

The Air Force has limited its planning to an extended range AMRAAM missile. Such an approach does not meet minimum range requirements for the Navy. The Navy is proposing to initiate development of the Advanced Air-to-Air Missile (AAAM), though the committee understands that serious technical questions have been raised over the Navy's approach. Further, the Navy is proposing a radar-guided missile in a frequency range that is inconsistent with Air Force plans for the Advanced Tactical Fighter, which the Navy intends to examine as its replacement for the F-14.

The committee has vigorously advocated collaboration between the Air Force and the Navy on the next generation aircraft (discussed elsewhere in this report). Similar collaboration must occur on air-to-air missiles. If plans remain unchanged, the Navy could develop an air intercept missile which is not readily adaptable to a Navy variant of the Air Force's ATF fighter.

The committee recommends an authorization of $40.4 million for the Navy's AAAM program, and $30.0 million for research and development in the Air Force for an extended range air intercept missile. While the committee expects the Air Force to examine an extended range variant of the AMRAAM, development efforts should not be limited just to product improvements.

Because collaboration is essential, the committee has included a provision (section 218) specifying that not more than half of the funds appropriated pursuant to this authorization may be obligated until the services establish joint air-to-air missile program offices, under the guidance of the Secretary of Defense. Such joint program offices will coordinate any product improved version of the AMRAAM missile as well as any future extended range missile, and ensure that these programs are compatible with service plans for future combat aircraft.

The committee directs the Secretary to develop a joint service air-to-air missile master plan once these joint project offices are established. The master plan shall be delivered to the Congress by March 1, 1989.

EXTENDED AIR DEFENSE

The committee continues to support the Extended Air Defense program. The committee recommends $50.0 million for research and development. The committee recommends a provision (section 214(c)) which stipulates that should any of the funds be made available to firms in allied countries, such funds may not be obligated until the Secretary of Defense has established a cooperative program with the allied country. The committee intends that the Army shall assume the lead in this program.

CLOSE AIR SUPPORT

The committee is concerned that the Air Force has devoted insufficient attention to the need to modernize aircraft dedicated to providing close air support for ground combat forces. While the committee welcomes the study effort that is currently underway, it believes that the creative energies of industry have not been harnessed to examine all the alternatives for an improved close air support aircraft for the future. The committee recommends that $15.0 million be provided to the Secretary of Defense for studies related to close air support. The committee believes that special attention should be given to alternatives for upgrading the existing A-10 aircraft, modifying existing combat aircraft, and introducing advanced new technologies to include advanced vertical take-off-and-landing technologies.

THE DEFENSE ADVANCED RESEARCH PROJECTS AGENCY

In October 1983, the Defense Advanced Research Projects Agency launched the Strategic Computing Initiative as a ten-year effort to assure United States leadership in advanced information processing technology, particularly high performance computing and artificial intelligence. Now at its mid-term, the Initiative has succeeded in developing an impressive industrial technology base for defense, with important spin-off benefits to the commercial sector.

An investment in multiprocessor supercomputers has spawned more than ten new companies, new product lines from established companies, and over 200 of the new kind of computers have been sold. These machines excel in speed, cost-effectiveness, efficiency in using power, and compactness.

In the area of artifical intelligence, 21 new companies provide Artificial Intelligence products and services and over a dozen established companies now have Artificial Intelligence divisions. New products have been developed in the areas of machine vision, automatic natural language understanding, speech recognition and expert systems. The committee has been advised that there are over 1500 expert systems in use in the commercial sector, and over 60 prototype systems in Defense.

Furthermore, the Strategic Computing Initiative has had a major impact on the academic community, producing over 100 additional Ph.D.s in computer science. The results of the Strategic Computing Initiative provided much of the technical basis in the report "A Research and Development Strategy for High Performance Computing" produced by the Office of Science and Technology Policy (OSTP) for the President's Science Advisor, and delivered to the Congress on November 20, 1987. The committee notes however, that the OSTP report stated that because software development for supercomputers has lagged behind hardware development, the use of supercomputers has been constrained. The committee encourages DARPA to provide adequate funding for software development to ensure full utilization of supercomputers.

The committee commends DARPA for this record of success and accomplishment. DARPA's ability to develop innovative technologies for defense needs while spinning off important capabilities to the private sector is deserving of strong support from the Department. In this regard, the committee is disappointed by the Department's lack of support for DARPA in the fiscal year 1989 budget request, noting that the funding request for DARPA was nearly $100 million less than the fiscal year 1988 appropriation.

The committee is also aware that DARPA has established a Defense Manufacturing Office to focus management attention on technology needs of the manufacturing sector. The committee strongly supports DARPA's initiative in establishing this office.

Recognizing the contributions DARPA makes to the technology base and the general lack of enthusiasm shown by the Department for sustaining an adequate funding level for the industrial and technological bases, the committee recommends the following increase, in addition to those discussed in other portions of the report: $106 million for DARPA MANTECH to include $46 million for gallium arsenide manufacturing technology and insertion; $27.0 million for high temperature superconductor manufacturing; $18.0 million for the DARPA Initiative in Concurrent Engineering; $8.0 million for EXCIMER Laser-Semiconductor Device Manufacturing; and $7.0 million for the "smart skin" design effort.

CONSOLIDATED DOD SOFTWARE INITIATIVES

The administration requested $37.12 million in fiscal year 1989 for RDT&E of the Consolidated DOD Software Initiatives. Software development continues to offer significant opportunities for achieving increases in performance and decreases in the cost of advanced weapon systems. In consolidating several software programs and transferring management to DARPA, the Department reduced the funding level below that necessary to sustain adequate program funding.

The committee recommends authorization of $45.12 million for the Consolidated DOD Software Initiatives. The committee directs that $18.9 million is available only for the Department of Defense Software Engineering Institute (SEI).

OPTOELECTRONICS MATERIALS RESEARCH AND DEVELOPMENT

According to the Institute of Electrical and Electronic Engineers, the Department of Defense should increase its commitment to the optoelectronics and photonics sector of our defense technology base. DOD funding for research and development is essential if we are to establish and maintain an advantage in a field with dramatically increasing significance for defense systems. In the committee's view such funding should be used to promote a university program with demonstrated capabilities for pursuing optoelectronics and photonics research on a comprehensive basis to meet DOD needs. The program should attempt to maximize the involvement of industry and government laboratories in a synergistic overall effort.

Therefore, the committee directs an authorization of $14.5 million in the fiscal year 1989 DARPA budget for the establishment of an Optoelectronics Materials Center at a major university, and for associated facilities.

MATERIALS TECHNOLOGY (DARPA)

The administration requested $20,540,000 in fiscal year 1989 for research in Materials and Electronics Technology. During hearings before the Subcommittee on Defense Industry and Technology this year, witnesses from both the Department of Defense and the Department of Energy highlighted the critical importance of materials development in a host of military applications. The Defense Advanced Research Projects Agency materials research program has long played a central role in spurring innovation in this area. The committee is convinced that additional investment in this area would be particularly productive. The committee therefore has recommended an authorization of $22,540,000 million, $2.0 million above the requested level, for materials related research sponsored by DARPA.

FLEXIBLE COMPUTER INTEGRATED MANUFACTURING

The committee directs the Secretary of Defense to request that the Interagency Working Group on Flexible Computer Integrated Manufacturing conduct a feasibility study of shared flexible manufacturing centers as a means of improving the efficiency and productivity of the U.S. defense industrial base. The Working Group will report its findings to the Committees on Armed Services of the Senate and House of Representatives and the heads of the participating agencies not later than 12 months after the enactment of this legislation.

MULTIPLE DEVELOPMENT OF THREAT SIMULATORS

The committee is concerned that Department of Defense programs to acquire threat simulators is uncoordinated and develops duplicative systems. These simulators are intended to imitate Soviet air defense weapon systems, including surface-to-air missiles and guns. In a February 1, 1988 report entitled, "Electronic Warfare: Multiple Developments of Costly Threat Simulators," the General Accounting Office states that substantial savings could be achieved by strengthening DOD controls to preclude multiple developments of these systems. As an example of duplicative development, the GAO found that since 1980 the Army and the Navy had each acquired a simulator for the Soviet SA-6 air defense system while the Air Force had acquired two. The cost of these four simulators was reported as $31.9 million. Since two SA-6 simulators had already been developed before 1980, the services actually paid for the development of six different SA-6 simulators. The GAO reports the total cost associated with multiple developments for emitter-receiver-processors and emitters associated with threat simulators was $560 million since January 1980.

Accordingly, the committee recommends consolidating $76 million from separate service and defense agency program elements which have projects to develop threat simulators into an element entitled Threat Simulator Development under the auspices of the Director of Defense Research and Engineering, and recommends a reduction in the consolidated authorization of $16 million. The committee directs that no more than 50% of this consolidated authorization may be obligated or expended until the Department submits to the Committees on Armed Services of the Senate and House of Representatives a master plan for threat simulator acquisition, and a period of 15 days have expired after the report is submitted.

NATO DEFENSE PROGRAM REPORT

The Secretary's Annual Report discusses the NATO Defense Porgram in general terms, but does not list specific programs that constitute the program. The committee directs that the Secretary of Defense submit to the Congress a report listing the programs to be included in the NATO Defense Program. The report shall indicate each program (by program element number) and a description and level of funding requested for each of these programs for fiscal year 1990. The report shall be submitted not later than February 15, 1989.

COOPERATIVE RESEARCH AND DEVELOPMENT

Sections 1103 and 1105 of the Fiscal Year 1986 and Fiscal Year 1987 Defense Authorization Acts established cooperative research and development (R&D) programs with NATO and major non-NATO allies. The committee has strongly supported these initiatives to reduce the wasteful duplication of defense R&D among the United States and its allies.

The committee is concerned that, in some cases, the United States and its allies have not shared more advanced technology in their cooperative projects. The legislation that established the NATO and non-NATO programs requires the Secretary of Defense to determine that a proposed project enhances the ongoing multinational effort to improve conventional defense capabilities "through the application of *emerging* technology" (emphasis added). In light of the original purpose of these cooperative programs, the committee strongly urges the Department of Defense to ensure that the R&D projects involve U.S. and allied emerging technology which will make a meaningful contribution by the time it is actually fielded.

The committee continues to be disappointed that the U.S. and its allies have not been able to avoid duplicative research and development programs in next generation fighter aircraft. If all six aircraft currently entering development by the United States and its allies are carried through to production—Agile Falcon (F-16), Hornet 2000 (F-18), Advanced Tactical Fighter (ATF), European Fighter Aircraft, French Rafale, and Japanese FSX—it is clear that there will be a significant degree of duplication in R&D and that production rates for most, if not all, of these aircraft will likely be very inefficient. The committee believes that the U.S. and its allies must strive to avoid this sort of duplication, perhaps justifiable in terms of each individual nation's defense industrial policies, but terribly wasteful in terms of the countries' limited resources for defense. To break the cycle, both the United States and its allies must show greater willingness to share emerging technology in cooperative programs under appropriate security arrangement.

COOPERATIVE RESEARCH AND DEVELOPMENT SUPPORT FOR ISRAEL

As part of its continuing effort to encourage greater cooperation in defense research and development (R&D) with our allies, the committee expanded its NATO cooperative R&D initiative to major non-NATO allies during committee consideration of the fiscal year 1987 defense budget. In 1987, Israel was designated as a major non-NATO ally for the purpose of entering into cooperative R&D projects with the United States.

The committee believes that the assignment of a U.S. armaments cooperation expert to the U.S. Embassy in Israel would foster the cooperative R&D effort with Israel. Therefore, the committee recommends that the Secretary of Defense carefully consider establishing a defense cooperation in armaments (DCA) position within the defense attache office in Israel to provide dedicated support for the purpose of expanding cooperative R&D programs between the United States and Israel.

AUTHORITY TO LOAN AND ACCEPT MATERIAL FOR COOPERATIVE R&D

In order to facilitate cooperative research and development (R&D), the committee recommends a provision that clarifies the authority of the Department of Defense to loan and accept material in limited cooperative R&D projects with foreign countries.

The Defense Department is authorized to loan material to foreign countries without a lease and without charge for "true" cooperative R&D projects (for example, a Nunn NATO project carried out under section 1103 of the Fiscal Year 1986 Defense Authorization Act). However, for more limited cooperative R&D projects that do not include all of the elements of a "true" cooperative project, the Defense Department must secure a formal lease in order to loan material to a foreign country. An example of a more limited project is the testing by a foreign country of a piece of U.S. equipment to determine its interoperability with the foreign country's equipment. An additional problem in the conduct of more limited cooperative R&D projects is the narrow authority of the Defense Department to accept material from a foreign country without actually buying it.

The provision recommended by the committee authorizes the Department of Defense to loan material to a foreign country without a lease for limited cooperative R&D projects. For the same kinds of cooperative endeavors, it allows the Defense Department to accept material from a foreign country as a loan or a gift.

MAJOR NON-NATO ALLIES REPORTING REQUIREMENT

Under current law (section 1105(f) of Public Law 99-661), the Secretaries of Defense and State are required to make an annual report to the Congress designating countries as "major non-NATO allies" for the purpose of entering into cooperative research and development projects with the United States. The committee adopted a provision which will simplify this reporting requirement by requiring an annual report only if additions or deletions are made to the list of countries designated as major non-NATO allies.

TITLE III—OPERATION AND MAINTENANCE

The President's amended fiscal year 1989 budget request included $85,649.0 million for operation and maintenance of the armed forces and component agencies of the Department of Defense in fiscal year 1989.

The committee recommends authorization of $85,521.3 million, a reduction of $127.7 million from the budget request.

The recommended authorization by account for fiscal year 1989 is summarized in the following table:

	FY 1988 ESTIMATE	FY 1989 AMENDED REQUEST	FY 1989 AUTHORIZED	FY89 AUTH. +/- TO FY89 REQUEST
	AMOUNT	AMOUNT	AMOUNT	AMOUNT
ARMY	20,991,550	22,085,200	22,142,400	57,200
NAVY	23,925,675	24,945,800	24,879,700	-66,100
MARINE CORPS	1,794,100	1,792,000	1,792,000	0
AIR FORCE	19,740,191	21,950,000	21,898,700	-51,300
DEFENSE AGENCIES	7,349,451	7,725,700	7,636,880	-88,820
ARMY RESERVE	857,540	794,900	794,900	0
NAVY RESERVE	929,896	979,200	979,200	0
MARINE CORPS RESERVE	69,500	77,500	77,500	0
AIR FORCE RESERVE	1,000,981	1,028,500	1,028,500	0
ARMY NATIONAL GUARD	1,856,542	1,797,000	1,805,300	8,300
AIR NATIONAL GUARD	1,958,063	1,965,400	1,965,400	0
RIFLE PRACTICE, ARMY	4,099	4,300	4,300	0
CLAIMS, DEFENSE	193,574	-		
U.S. COURT OF MILITARY APPEALS, DEFENSE	3,241	3,500	3,500	0
ENVIRONMENTAL RESTORATION FUND, DEFENSE	0	500,000	500,000	0
HUMANITARIAN ASSISTANCE	10,000	0	13,000	13,000
TOTAL	80,684,499	85,649,000	85,521,280	-127,720

In reviewing the operation and maintenance accounts, the committee attempted to identify those areas of the budget where funding shortfalls will cause readiness and sustainability problems in the future, and, where possible, to find offsets in lower priority programs to increase funding in these areas. Where reductions were necessary, the committee made them as broad and generic as possible in order to give Defense Department managers flexibility to implement the reductions.

The committee's adjustments to the fiscal year 1989 operation and maintenance accounts are summarized below:

FUNDING ADJUSTMENTS

Depot Maintenance.—The backlogs of depot maintenance have grown dramatically in all of the military services beginning in fiscal year 1986. The amended fiscal year 1989 budget funds only 89 percent of the Army's annual depot maintenance requirement, 89 percent of the Navy's depot maintenance requirement for equipment other than ships, and 88 percent of the Air Force's annual depot maintenance requirement. The committee recommends an increase of $120 million for the Army, $40 million for the Navy, and $75 million for the Air Force depot maintenance programs. These increases will help reduce the large depot maintenance backlogs in the military services.

Army Supply Operations.—The committee recommends an increase of $40 million to the Army's budget request for supply operations to alleviate funding shortfalls identified by the Army in this area.

Army National Guard Flying Hours.—The amended fiscal year 1989 budget supports only 7.8 crew flying hours per month for Army National Guard tactical helicopter crews. The number of flying hours per month needed to meet minimum aircrew training requirements is 8.4. The committee recommends an increase of $8.3 million to allow the Army National Guard to meet the minimum training goal of 8.4 flying hours per crew per month.

Civil Air Patrol.—The committee recommends an increase of $1.7 million to the Air Force operation and maintenance account for maintenance of Civil Air Patrol aircraft and for cadet uniforms.

Defense Standard Ammunition Computer System (DSACS).—The Army's Armament, Munitions and Chemical Command is in the process of implementing the Defense Standard Ammunition Computer System to support its mission as Single Manager for Conventional Ammunition. Execution of the program was delayed in fiscal year 1988 due to funding constraints. The committee recommends an increase of $1.2 million, for a total of $10 million in fiscal year 1989, to maintain the current acquisition and implementation schedule of this system.

Command, Control and Communications.—This category of operation and maintenance costs includes support of the communications and associated command and control efforts of the Defense Department. This category has one of the highest growth rates of any category of costs in the operation and maintenance accounts. The committee recommended reduction of $75 million reduces by half the amount of growth requested in this category of costs in fiscal year 1989.

Asset Capitalization Program.—This program provides for modernization of equipment in Department of Defense industrial facilities through a surcharge on the cost of work performed at the facility. The amended fiscal year 1989 budget assumes that 3.7 percent of the revenues from work performed at industrial-type facilities, or $677.7 million, will be reinvested into modernization of these facilities. The committee recommends a reduction of $200 million to this program to be refunded to the operation and maintenance accounts from the industrial funds. This reduction will reduce the level of investment in this area to 2.6% of industrial facility revenues.

Administration.—This category of operation and maintenance costs provides for administrative support of departmental and major administrative headquarters and field commands. This includes the Office of the Secretary of Defense, Organization of the Joint Chiefs of Staff, support for Service Chiefs, the Secretaries of the Departments, operation of Servicewide accounting and finance activities, and personnel management related activities to enhance career development and retention. It also includes activities which exercise direction, technical management and control of data automation programs, and other activities such as internal audit, legal services, and operation of inspection and safety centers. Funding for this category of costs has grown by $321 million since fiscal year 1987, despite an overall reduction of over 400 personnel assigned to these functions. The reduction of $85 million recommended by the committee in this area will still allow significant program growth in fiscal year 1989.

Transportation.—Transportation costs provide for the movement of materiel between contractors' plants, military logistics centers, and field activities on a worldwide basis. The Air Force was the only service budgeting for large increases in this area ($83 million over fiscal year 1988) in order to return to the use of airlift transportation, rather than sealift, in order to reduce accumulated cargo backlogs. The $25 million reduction recommended by the committee will still allow program growth in the Air Force transportation program in fiscal year 1989.

Claims.—Testimony by the General Accounting Office (GAO) before the Subcommittee on Readiness, Sustainability and Support indicated that the Army's use of more on-site inspection by U.S. personnel of U.S. military maneuver damage claims in West Germany could save as much as $10 million annually. Army officials agreed with GAO on the need for more on-site inspection of these claims by U.S. personnel, and indicated that more people were being assigned to this function in Europe. The committee recommends a reduction of $10 million in this area, consistent with the GAO recommendation. The committee also notes that, whereas in the past all funding for Defense Claims were authorized in a single account, the amended fiscal year 1989 budget proposes transferring these claims to the separate military services' operation and maintenance accounts. The committee endorses this transfer, but requests the Department to continue to separately identify all costs for these claims in the annual budget justification overview materiel.

Classified Programs.—The committee bill includes reductions of $31.9 million in certain classified programs.

The table on the following page summarizes the committee's recommended adjustments to each of the operation and maintenance accounts for fiscal year 1989.

OPERATION AND MAINTENANCE
Fiscal Year 1989
Adjustments by Account
(Dollars in Thousands)

	ARMY	NAVY	MARINE CORPS	AIR FORCE	DEFENSE AGENCIES	ARMY RESERVE	NAVY RESERVE	MARINE CORPS RESERVE	AIR FORCE RESERVE	ARMY NATIONAL GUARD	AIR NATIONAL GUARD	RIFLE PRACTICE, ARMY	U.S. COURT OF MILITARY APPEALS	ENVIRONMENT RESTORATION DEFENSE	HUMANITARIAN ASSISTANCE	TOTAL
BUDGET REQUEST	22,085,200	24,945,800	1,792,000	21,950,000	7,725,700	794,900	979,200	77,500	1,028,500	1,797,000	1,965,400	4,300	3,500	500,000	0	85,649,000
Command,Control and Communications	-10,000	-5,000		-40,000	-20,000											-75,000
Asset Capitalization Program	-50,000	-100,000		-50,000												-200,000
Administration	-34.000			-13,000	-38,000											-85,000
Transportation				-25,000												-25,000
Flying hours										8,300						8,300
Claims	-10,000															-10,000
Supply Operations	40,000															40,000
Depot Maintenance	120,000	40,000		75,000												235,000
Civil Air Patrol				1,700												1,700
DSACS	1,200															1,200
Humanitarian Assistance															13,000	13,000
Classified Programs		-1,100			-30,820											-31,920
TOTAL	22,142,400	24,879,700	1,792,000	21,898,700	7,636,880	794,900	979,200	77,500	1,028,500	1,805,300	1,965,400	4,300	3,500	500,000	13,000	85,521,280

CIVILIAN PERSONNEL

The committee is very concerned about the reductions in operation and maintenance funding in fiscal year 1988 caused by the Deficit Reduction Agreement between the President and the Congress. These funding reductions have caused the military services to consider furloughs of large numbers of civilian employees in fiscal year 1988. These furloughs would be very disruptive to DOD operations, and the committee is working very hard with the Defense Department to avoid such furloughs.

Defense Department officials have indicated that the level of operation and maintenance funding in the Amended Fiscal Year 1989 Budget request, if approved by Congress, is sufficient to meet their civilian personnel needs and will not result in furloughs or other disruptive personnel actions in fiscal year 1989.

LEGISLATIVE PROPOSALS

The amended fiscal year 1989 budget assumed savings of $310 million ($250 million in the operation and maintenance accounts and $60 million in the military construction accounts) from enactment of legislation to raise to $1 million the dollar threshold for defense contracts covered by the Davis-Bacon and Service Contract Acts. It is clear from recent action by the Congress on these proposals that the Congress will reject both of these legislative proposals again this year. The committee is disappointed that the Defense Department would make these proposals even with the certain knowledge that they would not be enacted. The committee had no alternative but to reduce the amended fiscal year 1989 budget request by $310 million to offset the savings assumed from these legislative proposals.

REPORT ON MANPOWER, MOBILITY, SUSTAINABILITY, AND EQUIPMENT READINESS

The committee believes that the current annual budget justification material does not include sufficient information to provide a consolidate view of the readiness, sustainability, and mobility of U.S. military forces. Accordingly, the committee requests the Secretary of Defense to submit a consolidated report on manpower, mobility, sustainability, and readiness to the Armed Services Committees not later than February 15, 1989. This report should provide a comprehensive overview of the readiness of U.S. forces to perform their assigned missions and meet their commitments in terms of their readiness in manpower, mobility, sustainability, and equipment.

This report should be based on the forces and resources provided in the fiscal year 1990/91 biennial budget submission. It should provide a detailed analysis of trends over the past 5 years, and project these trends over the next 5 years based on the current Five Year Defense Plan or other planning documents approved by the Secretary of Defense. It should provide an overall picture of readiness and sustainabilty of the major Unified and Specified Commands, and separate analyses of such other areas as the Secretary of Defense shall direct.

The report should describe the readiness of U.S. military forces both in terms of those standards approved by the Secretary of Defense and the comparative readiness of allied and threat forces. It should provide a consolidated and prioritized list of all the improvements in the readiness and sustainability of U.S. manpower, mobility, and equipment necessary to correct any major shortfalls by the Unified and Specified Command, and the cost of such improvements. The prioritization in this list should be based on the ability to deploy and sustain the forces necessary to meet U.S. commitments and perform assigned missions for all applicable U.S. forces, regardless of military service or function.

The committee will work with the Defense Department to identify existing reporting requirements which can be consolidated into this report.

ALTERATIONS TO THE U.S.S. "MIDWAY"

The amended fiscal year 1989 budget request did not include any funds for alterations to improve the sea-keeping capability of the U.S.S. *Midway.* If the Navy determines that these alterations should be accomplished during fiscal year 1989, and if the cost of these alterations cannot be met from within other general purpose forces funding, the committee will consider a reprogramming request from the Navy to perform this work.

REVOLVING AND MANAGEMENT FUNDS

The Department of Defense Stock Funds provide for the financial management, inventory control and distribution of consumable items of supply and low cost-equipment to support both peacetime and wartime operations. Stock fund inventories include consumable spare and repair parts used in maintenance programs to repair equipment, as well as fuel, rations, medical supplies and general and administrative supplies necessary to maintain the readiness and sustainability of the military services' weapon systems and personnel.

The stock funds operate under a revolving fund concept. The corpus of each fund consists of inventory and cash. Sales of stock fund inventory generate cash that is used to replenish inventory levels.

The amended fiscal year 1989 request included $763.5 million for augmentation of existing stock fund inventories and build-up of war reserve stocks. The committee recommends a reduction of $70 million to this request.

The following table summarizes the committee's actions in this area.

REVOLVING AND MANAGEMENT FUNDS

[In millions of dollars]

	Amended fiscal year 1989 request	Committee recommendations	Difference
Army Stock Fund	321.9	291.9	−30.0
Navy Stock Fund	204.7	184.7	−20.0
Air Force Stock Fund	206.9	186.9	−20.0

REVOLVING AND MANAGEMENT FUNDS—Continued

[In millions of dollars]

	Amended fiscal year 1989 request	Committee recommendations	Difference
Defense Stock Fund	30.0	30.0	--
Total	763.5	693.5	−70.0

LEGISLATIVE PROVISIONS

HUMANITARIAN ASSISTANCE

The committee recommends a provision (sec. 303) authorizing $13.0 million to continue the program to transport humanitarian relief supplies to Afghan refugees. Of this total, $3.0 million is available for Thai-Cambodia operations; up to $3.0 million can be transferred to the Department of State. All funds are available until expended, to the extent provided in an Appropriations Act.

The committee has been advised by the Department of Defense that the program authorized by this section does not conflict with the Geneva Accords regarding the conflict in Afghanistan signed on April 13, 1988.

The committee is aware that certain questions have arisen about this program and concludes the following activities are within the scope of the authority:

a. The Secretary of Defense may use funds authorized by this section to transport humanitarian cargo donated by foreign governments or organizations for the Afghan people, if the Secretary of State determines that such cargo will contribute to the relief of the Afghan people and requests the Secretary of Defense to transport such cargo. Such transportation may be provided only on a space available basis.

b. Funds authorized by this section may be used by the Secretary of Defense, if requested by the Secretary of State, to fund commercial transportation of Afghans within the region (from within or without Afghanistan) and to provide transportation on a space available basis on relief flights from the region to the United States or other Western nations. Such transportation may be provided only to individuals travelling to and from training in medical care and other country building skills.

c. Funds authorized by this section, whether administered by the Secretary of Defense of the Secretary of State, may be used to repair and rebuild transportation assets, construction equipment and high value DOD non-lethal excess property.

d. Of the funds authorized, $1.0 million may be used by DOD for payment to the Government of Pakistan for expenses incurred by that government for its participation in handling, warehousing, transporting, and distributing DOD non-lethal excess property and other humanitarian relief supplies for the Afghan people. This sum is for Government of Pakistan expenses incurred during fiscal years 1986 and 1987. If these funds are not claimed by the Government of Pakistan by September 30, 1988, they shall be available for other purposes authorized under this section. Similar expenses for fiscal years 1988 and 1989 (and until funds are expended) may be paid from funds authorized in this section.

In light of the Geneva accords, the committee directs that if the Department of Defense determines that this program should be continued beyond fiscal year 1989, funding for this program should be included in future budget requests.

PROHIBITION ON FINANCING CERTAIN ACTIVITIES BY DIRECT APPROPRIATIONS

Section 311 of the committee bill would prohibit the conversion of the Naval Avionics Center, Indianapolis; the Naval Air Engineering Center, Lakehurst; and the Naval Civil Engineering Laboratory, Port Hueneme, from industrial funding to direct operation and maintenance funding during fiscal year 1989.

LIMITATION ON PRIVATE OPERATION OF COMMISSARIES

The Department of Defense has indicated that it plans to conduct another test of the full-store contracting out of military commissaries in July, 1988. A previous full-store contracting out test was conducted at Yuma, Arizona which terminated in 1986. The test indicated that full-store operation of the contracted out commissary was not as cost effective as a government managed commissary. The committee believes there is no new information to indicate that another test would yield different results. Consequently, the committee recommends a provision (section 321) prohibiting any further full-store contracting out of military commissaries.

DEFENSE SUPPLIES AND SECURITY CONTROL

S. 1826, a bill to improve security and control of DOD supply inventories, was introduced in the Senate on October 28, 1987 and referred to the Committee on Armed Services. The committee has analyzed this bill, and recommends enactment of four provisions from S. 1826.

Section 331 would require the Secretary of Defense to carry out a comprehensive study to determine the effectiveness of DOD procedures for ensuring security and control for supplies at DOD depots. This study will be submitted to the Committees on Armed Services of the Senate and the House of Representatives 18 months after enactment, and will be reviewed by GAO. This section would also require the Secretary of Defense to conduct a cost-benefit analysis of the practice of selling surplus DOD munitions to the public; to develop methods for the identification and of accounting for individual items of ammunition, explosives and other DOD supplies that are susceptible to pilferage; and to prepare a plan for the modernization of the supply facilities and supply distribution procedures of each of the military departments and Defense Agencies.

Section 332 would require the Secretary of Defense to submit a report to the Committees on Armed Services of the Senate and House of Representatives on security and control of DOD supplies. This provision would also direct the Secretary of Defense to require an investigation of each discrepancy in an accounting for supplies of the Department of Defense involving an amount exceeding the amount determined under procedures prescribed by the Secretary; and direct the Secretary, to the extent feasible, to require that the job functions of supply ordering and supply receiving be performed by different offices and individuals.

Section 333 would express the sense of the Congress that the use of undercover investigative techniques by DOD enhances the ability of the Department to detect and investigate theft of government property from the DOD supply system. It urges the Secretary of Defense to continue conducting such undercover investigations.

Section 334 would require the Secretary of Defense to report the theft or other loss of any ammunition, destructive device, or explosive material from DOD stocks to the Secretary of the Treasury within 24 hours after the discovery of such theft or loss.

In addition, the committee urges Defense Department managers to comply with DOD Instruction 4140.35, "Physical Inventory Control for DOD Supply System Material", which requires that the heads of DOD Components shall "Ensure that materiel accountability and inventory accuracy are mandatory elements in military and civilian personnel performance for individuals directly responsible for the caring, safekeeping, managing and reporting of DOD supply system material."

TITLE IV—PERSONNEL AUTHORIZATIONS AND RELATED ITEMS

The committee's actions on manpower and personnel were guided by the general philosophy that it should support the hard choices the Secretary of Defense had to make in arriving at the defense budget level agreed to at the budget summit last year. In keeping with this philosophy, the committee sought to ensure that the gains in personnel readiness were protected, that manning levels adequately supported the programmed force structure, and that military personnel were treated equitably in terms of compensation and benefits.

ACTIVE DUTY END STRENGTHS

The Department of Defense requested amended active duty end strengths for fiscal year 1989 that are 34,100 lower than the levels authorized in the National Defense Authorization Act for Fiscal Year 1988 and 1989. The committee recommends that the amended levels for the Navy and Marine Corps be approved. For the Army and Air Force, the committee recommends an additional reduction of 500 for each service. This reduction is consistent with an officer end strength reduction plan submitted by the Department of Defense that would reduce officer strength in these two services by 4,100 over two years beginning with fiscal year 1989.

The committee's recommendation (section 401) for each military service is as shown:

ACTIVE DUTY END STRENGTHS

	FY88/89 Authorization	FY89 Amended Request	FY89 Recommendation
ARMY			
Officers			106,927
Enlisted			660,423
Cadets			4,450
Total	780,900	772,300	771,800
NAVY			
Officers			72,610
Enlisted			515,815
Cadets			4,775
Total	593,200	593,200	593,200
MARINE CORPS			
Officers			20,120
Enlisted			177,080
Total	199,600	197,200	197,200
AIR FORCE			
Officers			105,038
Enlisted			465,645
Cadets			4,417
Total	598,700	575,600	575,100

Note: Separate end strengths for the officer, enlisted and cadet communities were not authorized separately in the FY88/89 National Defense Authorization Act, but are authorized separately in the Committee's recommendation.

ACTIVE DUTY OFFICER STRENGTH

Under current law, the Department of Defense is required to reduce officer strength by 6 percent from the fiscal year 1986 level by the end of fiscal year 1990. Thus far, the Department has taken a 1 percent reduction in fiscal year 1987 and another 1 percent reduction in fiscal year 1988. The Department of Defense has requested repeal of the remaining reduction (2 percent in fiscal year 1989 and 2 percent in fiscal year 1990).

The committee believes it has finally breached the stone wall mentality that the DOD has had in the past on mandated officer reductions. In a report submitted to the Congress in March 1988, the Department of Defense indicated that 23 percent or 7,733 of the officer positions added between fiscal years 1980 and 1986 could not be validated based on identifiable requirements. This finding clearly indicates that the committee was justified in its concern over the lopsided growth in officers compared to the enlisted force over that period. In fact, the reduction the services took in fiscal years 1987 and 1988 as a result of the mandated reduction amounted to a total reduction of 6,176 officers or 2 percent from the fiscal year 1986 base. So these reductions have removed all but 1,557 of the excess the Department of Defense identified in its report. The committee is certain that this would not have happened had it not persevered in its demand for an accounting of this growth and in requiring reductions to put force behind this demand.

Since the report was submitted, the Department of Defense has identified officer conversions and reductions that would reduce officer strength by another 4,100 over fiscal years 1989 and 1990. These reductions show some responsible movement on the part of the Department of Defense to take officer reductions that are somewhat consistent with overall force reductions programmed over that period.

On the basis of this report and further reductions identified, the committee is willing to show some flexibility on the remaining mandated reductions of 2 percent in fiscal year 1989 and 2 percent in fiscal year 1990. Accordingly, the committee recommends (section 402) that the mandated 2 percent reduction for fiscal year 1989 be repealed. Instead, the committee recommends the authorization of officer end strengths that keep the Navy and Marine Corps at their fiscal year 1988 officer strength levels as requested, and reduce the Army and Air Force by 500 each from their fiscal year 1988 officer strength levels. These actions are consistent with the officer strength reduction plan submitted by the Department of Defense.

The Department of Defense should not interpret the committee's action as indicating that the committee's concerns about officer manning have been fully and finally satisfied. At hearings on March 17th and 24th, the committee raised the subject of overmanning in colonels in the Military Airlift Command in the Air Force. The Air Force has yet to explain to the committee's satisfaction evidence that the Military Airlift Command has a surplus of 250 colonels in the command. This and a study conducted at the direction of the Secretary of Defense on the manning of unified and specified commands and supporting component headquarters which has not yet been provided to the committee but apparently indicates a potential surplus of about 7,200 spaces leads the committee to believe that the 2 percent reduction for fiscal year 1990 should remain in effect. In addition, the committee recommends (section 403) that the number of colonels that the Air Force is authorized to have on active-duty in fiscal years 1989 and 1990 be reduced by 125 and 250, respectively, below the numbers that would otherwise be authorized under section 523, title 10, United States Code, for those years.

SELECTED RESERVE END STRENGTHS

The committee recommends (section 411) the amended Selected Reserve end strength levels requested by the Department of Defense as shown below:

Selected Reserve End Strengths

	FY88/89 Authorization	FY89 Amended Request	FY89 Recommendation
Army National Guard	457,270	457,300	457,300
Army Reserve	324,300	320,600	320,600
Naval Reserve	152,600	152,600	152,600
Marine Corps Reserve	43,600	43,600	43,600
Air National Guard	115,900	115,200	115,200
Air Force Reserve	82,400	83,600	83,600
Coast Guard Reserve	14,000	13,000	13,000
Total	1,190,070	1,185,900	1,185,900

RESERVE FULL TIME SUPPORT END STRENGTHS

The committee recommends (section 412) the amended Reserve Full Time Support end strength levels requested by the Department of Defense as shown below:

Reserve Full Time Support End Strengths

	FY88/89 Authorization	FY89 Amended Request	FY89 Recommendation
Army National Guard	25,725	25,725	25,725
Army Reserve	13,329	13,329	13,329
Naval Reserve	21,991	21,991	22,991
Marine Corps Reserve	1,945	1,945	1,945
Air National Guard	7,836	7,748	7,948
Air Force Reserve	669	657	657
Total	71,495	71,595	71,595

ACTIVE DUTY RESERVE SUPPORT GRADE CEILING

The committee recommends denial of the increases proposed in the amended budget request, and instead recommends retaining the active duty reserve support grade ceilings authorized for fiscal year 1989 in the National Defense Authorization Act for Fiscal Years 1988 and 1989.

The committee's recommendation (section 413) for each military service is shown below:

Active Duty Reserve Support Grade Ceilings

FY89 Amended Request

	Army	Navy	Air Force	Marine Corps
E-9	589	201	170	18
E-8	2,406	404	546	74
0-4	3,181	1,000	654	115
0-5	1,376	520	463	75
0-6	348	188	198	25

FY89 Recommendation

	Army	Navy	Air Force	Marine Corps
E-9	529	180	150	13
E-8	2,350	400	425	74
0-4	2,600	875	575	110
0-5	1,250	520	322	75
0-6	348	185	190	25

MILITARY TRAINING STUDENT LOADS AUTHORIZATION

The committee recommends (section 421) the amended military training student loads requested by the Department of Defense as shown below:

Authorization of Training Student Loads

[Fiscal year 1989 recommendation]

Army	80,281
Navy	65,925
Marine Corps	18,064
Air Force	36,857
Army National Guard	19,561
Army Reserve	17,190
Naval Reserve	3,136
Marine Corps Reserve	3,459
Air National Guard	2,868
Air Force Reserve	1,827
Total	249,168

CIVILIAN END STRENGTHS

The Department of Defense requested repeal of the requirement for authorization of civilian end strengths in its amended fiscal year 1989 request.

The committee believes that the annual authorization of the civilian end strengths of the Department of Defense provides a useful mechanism for the Congress to exercise its oversight of civilian manpower levels of the Department of Defense. Section 431 of the committee bill authorizes an end strength totaling 1,102,240 for civilian personnel of the Department of Defense for fiscal year 1989. The committee's recommendation of the fulltime equivalent civilian end strengths for each component is shown below:

Authorization of Civilian End Strengths

[Fiscial year 1989 recommendation]

Army	400,092
Navy	339,551
Air Force	263,756
Defense Agencies	98,841
Total	1,102,240

TITLE V—MILITARY PERSONNEL

OFFICER PROMOTION PROCUDURES

In its report on the selection of 10 Marine Corps officers for promotion to brigadier general issued in July 1987, the committee noted the need to review the current officer promotion procedures to determine if statutory changes were required to correct any ambiguities, and to ensure a fair and objective process.

The committee held a hearing in March 1988 to receive testimony from Department of Defense witnesses on the Department's implementation of statutory officer promotion procedures. On the basis of the testimony received and the result of the Senate's action on the July 1987 committee report on the Marine Corps brigadier general selection process, the committee makes the following recommendations (section 501):

Authority To Approve, Modify, or Disapprove Officer Selection Board Reports.—The committee recommends that the authority of the President to approve, modify, or disapprove selection board reports (10 U.S.C. 618) be restricted in delegation to no lower than officials in the Office of the Secretary of Defense. Further, the committee recommends that the word "modify" be deleted from the authorized Presidential actions as that word is surplusage. Only the President may remove a name from a board report and no one may add a name to a report under existing law. Therefore, there is no need for an authority to "modify" reports. The removal of the word "modify" from statute would not affect the ability of appropriate officials to make purely administrative corrections to a report, such as correcting misspellings or other purely administrative errors.

Authority of Convening Authority to Establish Minimum Numbers of Selections Within a Competitive Category by Skill.—The committee recommends that explicit authority be granted to the service Secretaries to establish minimum numbers of selections by skill within a competitive category. The committee expects that the minimum numbers would be based on critical skill needs from within certain competitive categories and that officers selected under this provision will be fully qualified for promotion. The Secretary of Defense will ensure that appropriate procedures are promulgated to govern the application of this provision.

Prohibition on the Modification of the Maximum Number to be Selected After a Selection Board Has Reported.—The committee recommends explicitly prohibiting any change to the number of selections that may be made by a selection board or to any other binding guidance furnished to a selection board after the board has rendered its report. Attempting to change the guidelines under which a selection board operated after that board has, in fact, reported its results under these guidelines can lead to, at least, the appearance of attempting to alter the results of that board's action. If it is necessary to overturn a board's action, Presidential disapproval authority exists for that purpose.

Returning Board Reports.—The committee recommends clarifying the procedures available to a service Secretary in reviewing a board report. Therefore, the committee has included a provision making it clear that a board report may be returned by a Service Secretary to a board for further processing, if, and only if, the Secretary determines that the board acted contrary to law, regulation, or binding guidance furnished to the board, and requiring that such a determination, if made, be furnished in writing to the board. If such a determination were made, the Secretary could supplement his guidance to the board as required to bring the board action into compliance with law, regulations and previously furnished guidance.

The committee believes these changes will strengthen the credibility of the officer promotion process.

DEFENSE MANPOWER REQUIREMENTS REPORT

Section 115 of title 10, U.S.C., requires the Secretary of Defense to submit a Defense Manpower Requirements Report not later than February 15 of each fiscal year, detailing the justification for manpower to support its force requirements.

As of April 28, 1988, the committee has not received the report required to support the Amended National Defense Authorization Act for Fiscal Year 1989. In addition, recent editions of the report lack standardization making certain portions of it nearly unuseable.

The committee directs the Secretary of Defense to revitalize and standardize the report consistent with the statute and ensure it is submitted on schedule as required.

NONAPPROPRIATED FUND EMPLOYEES IN CHILD CARE CENTERS

The committee has received indications that child care centers are experiencing difficulty in recruiting and retaining qualified non-appropriated fund employees because of rigidities in the non-appropriated fund employee pay system, especially overseas. As a result, some child care facilities are operating at less than capacity.

The committee directs the Secretary of Defense to look into this matter and to take appropriate action to provide flexibility in the pay structure for non-appropriated fund employees of child care centers to enhance recruitment and retention.

MILITARY MEDICAL MANAGEMENT AND CONTROL

The committee has looked in the past and continues to look to the Assistant Secretary of Defense for Health Affairs when addressing military medical issues, including recruiting and retention shortfalls and programs designed to overcome these problems. Both reserve and active force shortfalls in a variety of medical specialities are of utmost concern. Of equal importance is the perceived lack of both military and civilian ancillary support staff. By not maintaining necessary levels of physician support these health care providers cannot practice to their maximum efficiency. The committee remains committed to improving the numbers and types of health professionals in the Department of Defense and is supportive of numerous programs that the Assistant Secretary for Health Affairs oversees and which are needed for a single unified approach to military medical programs.

The Assistant Secretary for Health Affairs has successfully required participation by all the services, speaking with one voice, in a number of programs including the CHAMPUS Reform Initiative, the Composite Health Care System, and quality assurance programs, just to name a few. While these examples of unified approaches to tri-service problems are encouraging, even greater cooperation in planning and execution between the Assistant Secretary and the military services is necessary to achieve uniformity and stability in program administration.

During hearings before the Manpower and Personnel Subcommittee on the fiscal year 1989 Department of Defense authorization bill, questions arose concerning who was in charge of monitoring and overseeing the medical requirements of all the services, as well as who had responsibility for executing recruiting and retention programs for health care personnel. In exploring concerns about serious medical personnel shortfalls throughout the military services, in both the reserve components and the active duty force, the committee found that accountability for resolution of these problems often seemed to fall "within someone else's jurisdiction."

In short, while this committee expects the Assistant Secretary for Health Affairs to provide solutions to military medical problems, it seems that the Assistant Secretary for Health Affairs may not be afforded sufficient authority to produce such solutions. The inability to deal with one official, who has both the responsibility and authority, with respect to all military medical issues is less than desirable.

Therefore, the committee directs the Secretary of Defense to report to the Committees on Armed Services of the Senate and House of Representatives on the current medical management structure and responsibility and authority of the Assistant Secretary of Defense for Health Affairs, as well as any improvements to that structure.

MILITARY PSYCHOLOGISTS SERVING ON COMPETENCY BOARDS

The committee is aware that the military services are in the process of revising their regulations concerning appropriate utilization of psychologists in response to Presidential Executive Order 12586. In order to ensure uniformity in complying with Executive Order 12586, the committee directs the Secretary of Defense to provide uniform direction to the services on the use of military psychologists, on boards which determine whether an individual is considered "mentally incapable of managing his or her own affairs", when appropriate and in accordance with appropriate restrictions and limitations.

TECHNICAL CORRECTIONS

The committee recommended a number of technical corrections. These corrections included: (1) clarification that spousal employment preferences include the GS-1 grade (section 502); (2) clarification that civilian clothing allowances for duty in certain places is limited to enlisted personnel and is discretionary (section 618); (3) clarification that reporting of manpower requirements estimates for new systems may be modified during time of war or national emergency (section 503); (4) clarification that overseas tour extension incentives are discretionary (section 619); and (5) clarification of the President's authority to remove names from reserve promotion lists of the Navy and Marine Corps (section 504).

TITLE VI—COMPENSATION AND OTHER PERSONNEL BENEFITS

MILITARY PAY RAISE

The Department of Defense requested a 4.3 percent pay raise for members of the uniformed services for fiscal year 1989 in its amended budget request.

The committee recommends (section 601) approval of the requested 4.3 percent pay raise which should keep the reported pay gap between private sector wages and military pay of 11 percent from widening.

ADEQUACY OF HOUSING ALLOWANCE

The committee is concerned about the adequacy of housing allowances for military personnel.

Under current statutes, military personnel are entitled to a basic allowance for quarters (BAQ), designed to represent 65 percent of national median housing costs. Because BAQ is set at this level, it is supplemented by a variable housing allowance (VHA) in the United States and an overseas housing allowance (OHA) at other locations. VHA rates are based on locality rental rates and are established so that military personnel entitled to VHA would absorb, on average, 15 percent of housing costs. OHA rates are set so that 80 percent of military personnel entitled to OHA in specified housing areas would be fully reimbursed for housing costs. The OHA is adjusted for foreign currency fluctuation.

BAQ increases are now linked to military pay raises, and there is no automatic mechanism for setting BAQ at the 65 percent of national median housing cost level. Also, because military pay raises have not kept pace with private sector pay increases in recent years, BAQ has fallen to about 60 percent of national median housing costs. This, along with recent appropriations ceilings on VHA, have substantially increased the absorption of housing costs for military personnel in the United States. Conversely, the OHA has not been so constrained and therefore continues to operate as designed.

The committee directs the Secretary of Defense to review the housing allowance system for military personnel and to submit a comprehensive legislative proposal that provides for an equitable housing allowance system for all personnel. The committee recognizes that this will be a complex task and that considerable effort will be required. Therefore, the committee directs that an interim report be provided to the Armed Services Committees of the Senate and House of Representatives by July 1, 1988, which details a plan for accomplishing this task. The committee intends to hold hearings on this subject in 1989.

INCREASES IN HOUSEHOLD GOODS WEIGHT ALLOWANCES

The conference report on the National Defense Authorization Act for Fiscal Years 1988 and 1989 indicated that the Armed Services Committees of the Senate and House of Representatives intended to review the household good weight allowances authorized for military personnel when they are required to move. The report further indicated that the committees intended to provide relief to all grade levels on a with and without-dependents basis.

The Department of Defense submitted a report recommending a table of household goods weight allowances in accordance with this intent. The committee recommends (section 602) authorization of the table as recommended and as shown below.

Allowance for Transportation of Household Goods

	Current with and without Dependents	Proposal without Dependents	Proposal with Dependents
O-10 to O-6	13,500	18,000	18,000
O-5	13,000	16,000	17,500
O/W-4	12,000	14,000	17,000
O/W-3	11,000	13,000	14,500
O/W-2	10,000	12,500	13,500
O/W-1	9,500	10,000	12,000
E-9	9,500	12,000	14,500
E-8	9,000	11,000	13,500
E-7	8,500	10,500	12,500
E-6	8,000	8,000	11,000
E-5	7,000	7,000	9,000
E-4 (over 2 yr service)	7,000	7,000	8,000
E-4 (under 2 yr service)	1,500	3,500	7,000
E-3	1,500	2,000	5,000
E-2	1,500	1,500	5,000
E-1	1,500	1,500	5,000

AVIATOR BONUS AUTHORITY

The Department of Defense submitted a legislative proposal in its amended budget request for fiscal year 1989 to authorize an expanded and enhanced aviator continuation pay (ACP) system for all military departments.

Under current law, the Navy Department is the only department that is authorized an aviation officer continuation pay (AOCP). This pay was first authorized in 1980 in reaction to poor pilot retention in the Navy. In its current form, payment of AOCP is limited to Naval aviators in critical aviation specialities and bonus payments are $4,000 per year for annual commitments of 3 years or less and $6,000 per year for annual commitments of 4 year or more. AOCP is a temporary authority, but has been in effect continuously since its original authorization in 1980. The authority expires at the end of fiscal year 1989.

The ACP proposal submitted by the Department of Defense would replace AOCP. It would make ACP a permanent authority available to all the military departments. It would replace the current requirement in ACOP authority that a bonus can be paid only to aviators in critical aviation specialities with broader authority that would allow the service Secretaries, subject to the approval of the Secretary of Defense, to pay the bonus to aviators in areas designated by the Secretary concerned as "retention sensitive." Finally, it would allow the Secretary concerned to set the rates of the bonus not to exceed $12,000 for each year of extension up to 8 years.

The committee spent considerable time and effort on this proposal. The major concern of the committee was that the proposal was put together by the Air Force and the Navy and essentially "rubber-stamped" through the Office of the Secretary of Defense without the kind of thorough and comprehensive analysis a proposal such as this deserves. For example, although the letter transmitting the proposal to the Congress acknowledges that aviator career incentive pay (ACIP) is the basic incentive pay for aviators (it is based on years of service and flying time), there was apparently no effort made to link ACIP to AOCP in any economically efficient way. Since the current ACIP structure was established in 1974, and since it is obvious that it is not working very well now, the committee believes it should be reviewed and restructured if necessary.

The other concern the committee had is with the broad latitude that the proposal gives the Department of Defense in determining how payments are to be made. Testimony the committee received indicated that the Navy plans to essentially continue to target the bonus to critical aviation specialities while the Air Force plans to essentially pay all pilots in the 7-14 years of service zone regardless of speciality. The committee believes the way the bonus will be paid needs further evaluation.

Despite these concerns, the committee recognizes that the Navy has current shortages in pilots and that the Air Force projects even greater shortages. Also, the committee recognizes that there has been considerable publicity on this issue which may have built up expectations. Therefore, the committee recommends (section 611) that temporary authority be given to the Department of Defense to implement the program for one year only in fiscal year 1989. Further, the committee recommends that the amount available to the Air Force for this program be limited to $30 million, and that the Secretary of Defense be required to submit a legislative proposal to the Congress by December 1, 1988 that addresses aviator compensation on a comprehensive basis. The committee expects the Office of the Secretary of Defense to take aggressive leadership in this effort and in overseeing the implementation of the one year authority being recommended to ensure the bonus is applied efficiently.

MEDICAL SPECIAL PAYS

The committee has become increasingly concerned over the state of the active duty military medical system. For a number of years the committee has been aware of major shortfalls in the reserve components. More recently, however, problems in the active duty force have been brought to the committee's attention. Although the total number of doctors in the active duty force does not indicate a dramatic decline, there seems to be an exodus of senior active duty specialists in the military services.

This apparent increase in senior active duty physicians resignations is of great concern. The committee recognizes that a number of factors contribute to this type of problem including, but not limited to, the disparity in compensation for physicians between the military and civilian sector. Although the defense budget will not permit the Department of Defense to compete dollar for dollar with the private sector for physicians, an increase in compensation would be a positive signal that the committee is aware of the problem and will work to reverse these trends.

Section 612 provides a short-term discretionary increase of up to 48 percent in certain variable, additional and board certified special pays for those physicians with more than eight years of service with qualifications with respect to which the Secretary of Defense determines retention problems exist.

Although this section is based on an existing structure, it is not intended to be an alteration to that structure, but is instead a stopgap measure designed to address an immediate problem. The committee expects this authority to be used to target specific problem areas.

The Department of Defense is directed to submit a legislative proposal which: provides for a compensation system for military health professionals under which, as an alternative to all existing elements of compensation, the total compensation for these professionals would be linked to comparable private sector employee physician compensation, as determined by the Secretary of Defense; or; that proposes a single health professional incentive compensation program, which when combined with existing military compensation elements (e.g. basic pay, BAQ, BAS, VHA) would be comparable to private sector employee physician compensation.

Further, the committee directs the Secretary of Defense to submit a report on the adequacy of the existing compensation structure of special pay for health professionals as well as any recommendations for changes to that program that the Secretary of Defense believes are appropriate.

SPECIAL PAY FOR CRITICALLY SHORT WARTIME HEALTH PROFESSIONAL SPECIALTIES IN THE SELECTED RESERVE

The committee is concerned about "war-stopping" shortfalls in medical personnel in the Selected Reserve and expects the Department of Defense to act aggressively to correct these shortfalls.

Section 613, provides for a new test program using special pays to improve recruiting of health care professionals in the reserve components. During wartime, the Armed Forces will rely upon the reserve components to provide 78 percent of the total force requirements for the critically short physician specialities which include general surgery, orthopedics and anesthesiology, and 76 percent of the total requirement for nurses. Currently, the Department of Defense has a reserve health professional shortfall of approximately 7,000 physicians and 31,000 nurses. With shortfalls by specialty of orthopedic surgeons at 72 percent, general surgeons at 56 percent and anesthesiologists at 67 percent, it is obvious that serious deficiencies exist.

The Department of Defense is directed to implement this two year experiment utilizing an affiliation bonus as a recruitment tool for health care professionals in the reserve components. This affiliation bonus shall not exceed an annual rate of $10,000 for each year of commitment in the Selected Reserve. The committee expects the test program to focus on those health care specialities where critical shortages exist and to include provisions for flexible service payback provisions. The purpose of the test is to determine the effect of alternative incentive levels, alternative terms and conditions of affiliation, and different payment options. The committee expects the Department of Defense to conduct the experiment in selected states and in selected specialties.

The committee also directs the Department of Defense to submit an implementation plan to the Committees on Armed Services of the Senate and House of Representatives by September 1, 1988, and a report on the results of the test within 90 days following the conclusion of the first and second years of the test.

The committee authorizes $4 million for the test in fiscal year 1989 and directs the Department of Defense to include funding for conclusion of this test in its budget for fiscal year 1990.

RETIRED PAY FOR MILITARY PERSONNEL

Current so-called retirement "look back" provisions in statute have the unintended effect of allowing certain military personnel who have been reduced in grade by sentence of court-martial and who retire to be entitled to pay at a higher level than would otherwise be entitled on the basis of grade and years of service held at the time of retirement. The committee believes this is inappropriate in the case of a member who is reduced in grade as a result of court-martial and recommends (section 614) that the so-called "look back" provisions not apply to this category of personnel, except with respect to the grade in which such a member actually retires.

SURVIVOR BENEFIT PLAN PAYMENTS TO CERTAIN SURVIVORS OF RETIREES

The committee recommends (section 615) that the Survivor Benefit Plan for military retirees be modified to authorize a $165 per month payment to the survivors of military retirees who died before November 1, 1953, subject to the offset provisions in current law. The recommendation recognizes that this category of so called "forgotten widows" had no access to a survivor benefit program because none was in effect for military retirees before November 1, 1953.

In order for a surviving spouse to receive payments under this authority, the Secretary concerned would have to receive an application from the surviving spouse. Following receipt of such an application, the annuity would become payable for months beginning after the last day of the month following the month in which the application was received.

FUNDED EMERGENCY LEAVE FOR PERSONNEL ON TEMPORARY DUTY

Current statutes provide for different standards for funded emergency leave between military personnel assigned on permanent duty overseas and those assigned on temporary duty overseas. The committee believes that the standards for defining an emergency should be uniform. Therefore, the committee recommends (section 616) the current standard for personnel assigned on permanent duty overseas; i.e., "incident to reasons of a personal emergency" be extended to personnel assigned on temporary duty overseas.

DEFINITION OF DEPENDENT

The committee recommends (section 617) expansion of the definition of "dependent" for travel purposes of military personnel to include children who are not adopted but for whom care and support is provided as a result of an order of custody issued by a court of competent jurisdiction. The committee believes this relieves an unintended hardship on military personnel who in fact have a bonafide dependent.

UNIFORMED SERVICES TREATMENT FACILITIES

Section 621, extends the current Uniformed Services Treatment Facilities (USTF) designation of former Public Health Service hospitals, so that termination of the designation may not be made prior to December 31, 1991, and then only after six-month notification to the facility or facilities affected.

The committee recommends extending the USTF designation through December of 1991 for several reasons. First, the Department of Defense commissioned a study on the cost effectiveness of these facilities compared to the cost of the Civilian Health and Medical Programs of the Uniformed Services (CHAMPUS) system. The report indicated that these facilities were in fact comparable to, or less expensive than, similar private sector facilities. Second, the General Accounting Office (GAO) released a report in March 1988 entitled "Cost of Care at Selected Uniformed Services Treatment Facilities". This GAO report studied four USTFs. In this report, USTFs costs compared favorably to CHAMPUS, Medicare and other hospitals in the same geographic areas.

The committee understands that the Inspector General (IG) of the Department of Defense is also conducting a long-term study on a facility-by-facility basis of the USTFs. Given that the IG study will be long-term, and in order to provide stability to both the facilities involved and the beneficiary population, the extension of the designation was made through December 1991.

NAVY MEDICAL END STRENGTHS

This provision, section 622, repeals section 723 of the fiscal year 1988/89 Defense Authorization Act which required an allocation to health professions of a specified portion of officer accession and growth in end strength. Section 723 required that 15 percent of the Navy's end strength and 25 percent of officer accessions in fiscal year 1989 would be required to be medical personnel. Under current law, should the Navy fail to meet the specified portion of allocations to health professions, *all* accessions would be limited.

Although the committee is greatly concerned about medical manpower and wants to see improvement in this area, the committee feels that section 723 is not the appropriate method to achieve these goals.

TITLE VII—DEPARTMENT OF DEFENSE ORGANIZATION AND MANAGEMENT

JOINT OFFICER MANAGEMENT POLICIES

Title IV of the Goldwater-Nichols Department of Defense Reorganization Act of 1986 (Public Law 99-433) prescribed a comprehensive set of policies for joint officer management. At the time of enactment, it was understood that implementation experience might demonstrate the need for modifications to these policies and that unanticipated problems might also occur. Based upon preliminary information, a number of modifications were made in last year's Defense authorization bill.

The committee believes that sufficient information is now available to warrant additional modifications to joint officer management policies. The committee recommends that 19 changes be made. At the same time, the committee reaffirms its commitment to the objective of the Goldwater-Nichols Act of better preparing and rewarding officers serving in joint duty assignments.

The basic themes of the changes proposed by the committee are: (1) provide more equitable policies for crediting officers with joint duty service; (2) shorten joint duty tour lengths; (3) provide more flexibility in the selection and assignment of joint specialty officers; and (4) provide more flexibility regarding the joint duty prerequisite for promotion to general or flag rank. Specific changes recommended by the committee are:

1. Increase to 10 percent (from 5 percent) the number of officers who may annually be awarded the joint specialty by other than the prescribed manner and prerequisites.
2. Require that only 80 percent (instead of 100 percent) of all critical joint duty assignments must be filled by joint specialty officers at all times.
3. Require promotion tracking of officers, other than joint specialists, only until first in-zone consideration following reassignment from a joint duty assignment.
4. Set the promotion policy objectives for officers serving, or having served, in joint duty assignments (other than those serving, or having served, on the Joint Staff or with the joint specialty) to be not less than for the service-wide rate, less officers serving, or having served, on the service headquarters staff.
5. Reduce the minimum joint tour length from 3 to 2 years for general and flag officers and 3½ to 3 years for other officers.
6. Eliminate the requirement for an advance joint specialty nomination for a 2-year critical occupational specialty joint tour.
7. Delete the restriction on eligibility for a 2-year critical occupational specialty joint tour to an officer on his initial joint duty assignment.

8. Delete the limitation on the number of 2-year critical occupational specialty joint tours that may be excluded annually from the average joint tour length computation.

9. Provide full joint duty tour credit for an overseas joint duty assignment prescribed by regulation to be at least 2 years in length.

10. Authorize appointment to general or flag rank of an officer in a joint duty assignment who has served at least 2 years, but not a full joint duty tour.

11. Simplify the joint duty cumulative credit provision by eliminating the prerequisite that at least one of the cumulated tours must have been served overseas or terminated for hardship, medical, reorganization, or promotion reasons.

12. Further simplify the joint duty cumulative credit provision by eliminating the requirement that the applicable tour length must be accumulated within an 8-year period.

13. Permit constructive credit without a waiver for an officer reassigned from a joint duty assignment for reasons of military necessity within 60 days of completing joint tour length criteria.

14. Permit designation as joint duty assignments of up to 250 in-service billets filled by officers of the same service.

15. Exempt Navy nuclear-propulsion officers from the joint duty prerequisite for promotion to flag rank.

16. Award full joint duty tour credit, for purposes of promotion to general or flag rank, to officers who served joint duty assignments that began before January 1, 1987, which were considered as full tours of duty under the policies and regulations in effect at the time the assignment began.

17. Extend for 1 year (until October 1, 1989) both the transition period during which the Secretary of Defense may waive certain prerequisites for award of the joint specialty and the date by which critical joint duty assignments and certain other joint duty assignments must be filled by joint specialty officers or nominees.

18. Award full joint duty tour credit, for purposes of award of the joint specialty during the transition period, to officers who served joint duty assignments or joint equivalent assignments that began before January 1, 1987, which were considered as full tours of duty under the policies and regulations in effect at the time the assignment began.

19. Require a report by February 1, 1990, from the Secretary of Defense, after consultation with the JCS Chairman, comprehensively addressing the principles that should guide joint officer management policies, the goals that should be established for joint officer management policies, the detailed concepts that support these principles and goals, progress in implementing title IV of Public Law 99-433, and modifications to statutory requirements.

DEFERRED RETIREMENT FOR JCS CHAIRMAN

Section 1251(b) of title 10, United States Code, permits the President to defer the retirement of an officer serving in a position that carries a grade above major general or rear admiral beyond the first day of the month following the month in which the officer becomes 62 years of age, but not beyond the first day of the month following the month in which the officer becomes 64 years of age.

The current Chairman of the Joint Chiefs of Staff (JCS), Admiral Crowe, was appointed on October 1, 1987 to a second 2-year term that will extend until October 1, 1989. Section 1251(b) authorizes the President to defer Admiral Crowe's retirement no further than February 1, 1989. The committee recommends that the President be authorized to defer Admiral Crowe's retirement to coincide with the end of his second term as JCS Chairman.

ASSIGNMENT OF COMBATANT FORCES

Section 162(a) of title 10, United States Code (as added by section 211 of the Goldwater-Nichols Department of Defense Reorganization Act of 1986 (Public Law 99-433)), requires the Secretaries of the Military Departments to assign all forces under their jurisdiction to unified and specified combatant commands. Forces to be assigned to those commands do not include forces to carry out functions of the Secretaries of the Military Departments or forces assigned to multinational peacekeeping organizations.

The Department of Defense submitted a legislative proposal to authorize the Secretary of Defense to assign U.S. combatant forces to the U.S. element of binational or multinational military commands in those instances in which it is not feasible also to assign those same forces to a U.S. unified or specified combatant command. A current example of such an arrangement is the assignment of U.S. combatant forces to the U.S. Element, North American Air Defense Command.

The committee recommends that the Secretary of Defense be authorized to assign U.S. combatant forces to the U.S. element of binational and multinational military commands. However, the committee directs that exercise of this authority be limited only to exceptional cases and that the congressional intent that all combatant forces be assigned to the unified and specified combatant commands responsible for military operations should be complied with to the maximum extent practicable.

RESPONSIBILITY AND AUTHORITY OF COMMANDER OF SPECIAL OPERATIONS COMMAND

Section 167(e) of title 10, United States Code (as added by section 1311 of the National Defense Authorization Act for Fiscal Year 1987), prescribes the authority of the commander of the special operations command. The current language of section 167(e) has created uncertainty about congressional intent on the scope of the authority of the commander of the special operations command.

To remove any ambiguity, the committee recommends that section 167(e) be amended. Section 704 of this bill would clarify that the functions of the commander of the special operations command prescribed in section 167(e)(1) are for all special operations forces, except for two functions which are limited only to assigned forces. Section 704 would also clearly assign to the commander of the special operations command responsibility for preparing and submitting to the Secretary of Defense program recommendations and budget proposals for special operations forces. The commander of the special operations command shall assume the responsibility for preparing and submitting program recommendations and budget proposals as soon as possible but not later than the resource allocation cycle for fiscal year 1992.

PROHIBITION ON FUNDING FOR AN OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE FOR INTELLIGENCE

A congressional committee, other than an Armed Services Committee, has undertaken efforts to amend title 10, United States Code, to establish the position of Assistant Secretary of Defense for Intelligence, to prescribe the responsibility of such position, and to increase the number of Assistant Secretaries of Defense.

The committee opposes such efforts for two reasons. First, the Armed Services Committees exercise jurisdiction over title 10. The committee is, therefore, not prepared to acquiesce to changes to title 10 by a committee without jurisdiction.

Second, reorganization of the Office of the Secretary of Defense (OSD) is being comprehensively studied. The Goldwater-Nichols DOD Reorganization Act of 1986 (Public Law 99-433) required four management studies of OSD. The recommendations of these studies are now being addressed by the Secretary of Defense. The committee believes that organizational changes to OSD should not be undertaken in a piecemeal manner, but instead should be based upon the comprehensive recommendations of the Secretary of Defense. The committee, therefore, believes the efforts to establish the position of the Assistant Secretary of Defense for Intelligence are premature at best. At the same time, the committee agrees that establishment of such position should be fully examined in the context of a comprehensive reorganization of OSD.

For these reasons, the committee recommends a 1-year prohibition on funding for an Office of the Assistant Secretary of Defense for Intelligence.

GENERAL COUNSELS OF MILITARY DEPARTMENTS

Title V of the Goldwater-Nichols Department of Defense Reorganization Act of 1986 (Public Law 99-433) established in law the position of General Counsel in each Military Department. The sole statutory requirement is that the General Counsel of a Military Department be appointed from civilian life by the President.

The committee believes that the responsibilities of the General Counsel of a Military Department are sufficiently important to merit Senate confirmation of a person nominated to serve in such position. The committee, therefore, recommends that sections 3019, 5019, and 8019 of title 10, United States Code, be amended to require the appointment of the General Counsel of a Military Department by and with the advice and consent of the Senate. The committee also recommends that this requirement apply only to appointments made on and after the date of enactment of this act.

ANNUAL NET ASSESSMENT

The National Defense Authorization Act for Fiscal Years 1988 and 1989 requires the Secretary of Defense to transmit to the Congress an annual net assessment of the defense capabilities of the

United States and its allies as compared with those of their potential adversaries. The assessment is to be submitted in both a classified and an unclassified form.

The committee recommends four statutory clarifications to this requirement. First, beginning with the budget request for fiscal year 1990, the net assessment is to be transmitted to the Congress with the budget submission of the President. In this way, it would offer the views of the Secretary of Defense on the military balance and the effects of the defense budget request on that balance. Second, the assessment is to compare existing U.S., allied, and adversary defense capabilities; in addition, it is to examine the trends in those capabilities over the previous five years and over the subsequent five years covered by the Five-Year Defense Program. Third, the U.S. military forces reflected in the net assessment are to be the forces specified in the budget request and the corresponding Five-Year Defense Program. Fourth, the Secretary of Defense is to identify the deficiencies in U.S. capabilities that will exist in the budget request and in the Five-Year Defense Program.

Although the committee has not proposed any additional statutory changes, it believes that the net assessment to be prepared by the Secretary of Defense should address the balance in defense technology, including the implications of the technology comparison for the strategic and regional balances. Every effort should be made to provide as much unclassified data as possible, so that the unclassified net assessment could serve as a reference for congressional and public discussion of the military balance.

The committee commends the Department of Defense for its efforts to enhance its net assessment capability. The recommendations of the committee are intended to support those efforts.

TITLE VIII—ACQUISITION POLICY AND MANAGEMENT

INTEGRATED FINANCING POLICY

The committee is concerned about the impact on the long-term vitality of the defense industry of the trend in recent years to reduce the budgetary impact of the defense buildup by imposing increasing financial burdens on industry. Changes in progress payment rates, special tooling costs, and profit policies, as well as risk-shifting devices such as fixed-price development contracts and cost-sharing arrangements have required industry to assume costs traditionally borne by the government. Because each of these issues has been treated as a discrete policy matter, there has been insufficient attention to the long-term implications for the health of the industrial and technological base.

Section 801 addresses this problem by requiring the Secretary of Defense, to establish, in conjunction with the development of the Five-Year Defense Program, an integrated plan that will ensure that DOD's financing policies are structured to meet the Department's long-term needs for industrial resources and technology innovation. The foundation of the plan will be the Department's long-term goals for the defense industry, taking into account the different characteristics of its separate segments and tiers. The plan will set forth a detailed explanation of the relationship between these long-term goals and the specific policies, as reflected in the budget, on progress payments and other financing of contractors, return on investment, and division of contract risk. The committee expects the Under Secretary of Defense for Acquisition to take the lead within the Department in preparing this plan.

GUIDANCE ON FIXED PRICE DEVELOPMENT CONTRACTS

The committee has received substantial testimony on the improper use by the services of fixed-price type contracts for research and development programs involving such a high degree of innovation that realistic pricing is not possible. In such cases, the contractor bears an inordinate amount of risk, which creates the potential for the contractor either sustaining losses through unanticipated costs or the government having to renegotiate the contract. Such consequences can be avoided by using contract types more appropriate to the allocation of risks and management of costs.

Existing directives and memoranda do not provide sufficiently detailed critieria on those circumstances in which fixed price development contracts may be appropriate, nor do they establish requirements for appropriate levels of supervision within the services. Section 802 requires the Department to prescribe guidelines to restrict the use of fixed-price type contracts to those cases in which the degree of program risk is such that realistic pricing can occur and an equitable and sensible allocation of program risk is possible.

In addition, the legislation codifies and revises a requirement established last year requiring approval by the Under Secretary of Defense for Acquisition of certain firm-fixed price development contracts valued at more than $10,000,000. The committee emphasizes that this dollar-value, and the reference to firm-fixed price contracts, relates solely to the approval authority of the Under Secretary, and does not reflect a judgment that fixed-price development contracts are appropriate simply because they are of a lesser value or involve a contract form other than firm fixed-price. The committee recognizes that there are circumstances in which fixed-price development contracts are appropriate (e.g., when costs and forseeable program risks can be reasonably anticipated), and the committee expects the Department to establish clear guidelines under this section for use of such contracts.

It is the intent of the committee that this section be applied in a manner that best serves the government's interests in the long-term health of the defense industry, and that this section not be used as the basis for litigating the propriety of an otherwise valid contract. Nothing in this section shall be construed to affect the requirements of section 8118 of the Department of Defense Appropriations Act, 1988.

INCENTIVES FOR INNOVATION

Section 803 amends 10 U.S.C. 2305 which recognizes the value to the Nation of innovation by defense contractors using private funding. Private expense development for defense purposes enhances our ability to pursue a defense strategy based on technological superiority. As a consequence, the government has an interest in preserving an incentive for private industry to accept the risks inherent in such investment.

The amendment to section 2305 would prohibit the government from requiring that a prime contractor provide for competition between identical items in cases where an item has been developed exclusively at private expense. The amendment would allow the head of an agency to require such competition in cases in which he determines that the price of an privately-developed item is unreasonable or that the developer of the item cannot meet the program schedule or delivery requirements. The amendment also provides for the satisfaction of mobilization needs through negotiations between the government and the developer of the item. Finally, subparagraph (C) is intended to ensure that those prime contractors who choose to rely on privately-developed items in the products they offer to the government are not placed at a disadvantage in the proposal evaluation process for a contract.

The amendment would not restrict the government's ability to pursue competition for privately-developed items through the use of performance specifications, reverse engineering, or form, fit and function standards. It would, however, provide a necessary counterbalance to the presumptions in the current law, which have resulted in mandatory requirements for innovative subcontractors to disclose the results of privately-funded research to competitors.

THE DEFENSE INDUSTRIAL BASE

The committee is concerned that the industrial underpinnings of our national security strategy have not received sufficient sustained high-level attention in the Pentagon. The Under Secretary of Defense for Acquisition has made this an important focus over the past year, however, and is seeking to develop and implement a constructive policy in this area.

The committee notes with approval recent efforts by the executive branch to develop a mobilization program based on graduated response to early warning as part of the National Security Emergency Preparedness (NSEP) program. The graduated mobilization response concept will entail planners in Federal agencies identifying and cataloging relevant industrial capabilities; preparing specific response options; and creating a series of graduated responses to be implemented at a time of crisis.

The committee, however, wants to institutionalize the industrial base focus in the Department. Therefore, the committee has recommended a legislative provision (section 804) relating to centralized guidance, analysis, and planning for the defense industrial base; increased reliance on commercial manufacturing processes and commercial items; and a structure for industrial base management.

Section 804 also provides for an industrial base analysis of one program in each service. The committee would like to see the results of such analyses to determine how to effectively proceed in this area. In addition, the committee looks forward to reviewing the results of various studies currently underway, including the Under Secretary's analysis, the Defense Science Board Summer study on industrial base policy, and the Office of Technology Assessment's review of our industrial and technology bases.

The committee has supported industry's own efforts to improve its industrial capabilities, and believes that the Department should consider additional support for advanced manufacturing technology demonstration centers built on the SEMATECH and National Center for Manufacturing Science (NCMS) models. The Department should also consider strengthening incentives in the acquisition process for manufacturing and process investments. As discussed elsewhere in this report, the committee believes that the Department should consider using its authority to limit acquisitions of critical items or emergency technologies to domestic sources for limited periods of time on a case by case basis, but only in the context of broader efforts by industry to regain competitiveness.

In the course of reviewing industrial base issues this year, the committee recognized that a number of areas deserve further review. Accordingly, the Committee will consider many of these industrial base issues during the next legislative year.

DEFENSE MEMORANDA OF UNDERSTANDING

The committee is concerned that the Defense Department has not adequately taken into account U.S. economic interests and in particular, the potential impact on the U.S. defense industrial base, in its memoranda of understanding (MOU) with foreign governments relating to defense trade, cooperation on defense research, and production of defense equipment. The committee is aware that the Deputy Secretary of Defense has ordered a review of all bilateral memoranda of understanding relating to defense trade. As a result, the committee has included a provision (section 805) directing that a report on this review be provided to the Committees on Armed Services of the Senate and House of Representatives upon its completion.

The committee is disappointed that the Department of Commerce has not been involved in the review of bilateral MOUs or in the previous negotiation and renegotiation of MOUs. The committee's understanding is that the corresponding agencies of other governments have routinely been involved in the negotiation and implementation of such MOUs. This lack of interagency consultation within the U.S. Government can lead to the perception, if not the reality, that U.S. economic interests, and in particular, the effects on the U.S. defense industrial base, are not given great enough weight in these negotiations.

The committee therefore has included a requirement in section 805 that the Secretary of Defense consult with the Secretary of Commerce on the negotiation or renegotiation of such MOUs and fully utilize the resources of the Department of Commerce, as agreed to by the Secretary of Commerce, in their implementation. Section 805 also includes a reporting requirement on the impact of each MOU on the U.S. defense industrial base.

DEPARTMENT OF DEFENSE OFFSET POLICY

To an increasing extent, contracts for the sale of weapon systems from one country to another are subject to "offset" arrangements. These offset arrangements can take different forms—examples include requiring the selling firm to allow a firm in the purchasing country to perform some of the work under the contract; to buy a certain amount of goods or services from firms in the purchasing country; or to invest in firms in the purchasing country.

The committee is deeply concerned over the harmful effects that large offset demands may have on the competitiveness of United States firms. By distorting the flow of trade and technology, they require U.S. firms to engage in inefficient practices that, in the long term, may limit their business opportunities in both the United States and foreign countries. The committee is particularly concerned that U.S. subcontractors are vulnerable to losing their business with larger U.S. firms which undertake offset arrangements with overseas manufacturers.

In an effort to address this growing problem, the committee recommends a provision (section 806) that requires the Secretary of Defense, in coordination with several other officials and representatives from industry, to establish a comprehensive policy on offset arrangements. To help the Secretary of Defense formulate a well-informed policy, the committee has included in section 806 a provision that requires the Secretary of Defense to conduct a comprehensive study of contractual offset arrangements. The committee is especially interested in the effect of offsets on lower tier industries, and directs the Secretary of Defense to include these lower tiers in his study. Section 806 further specifies that U.S. firms which engage in offset arrangements of more than $50 million shall notify the Department of Defense of the arrangements.

Another aspect of the policy to be established by the Secretary of Defense concerns the transfer of technology. Section 806 prohibits the United States from reaching agreements with other countries that would require the transfer of U.S. defense technology in connection with contracts subject to offset arrangements if the agreements would significantly affect the U.S. industrial base and would result in a substantial financial loss to U.S. firms. However, this prohibition would not apply to those agreements that would strengthen U.S. national security.

The policy established by the Secretary of Defense is to guide the United States in negotiations with other countries that require offsets. Because the United States cannot unilaterally limit the use of offsets by other countries, the committee believes that the Secretary of Defense must enter into negotiations with the long-term goal of prohibiting offsets. A multilateral agreement among all the countries affected by offset arrangements would be the most effective solution; however, if such an approach should prove unsuccessful, the Secretary of Defense should initiate bilateral negotiations with individual countries.

In the course of its review of offsets, the committee considered requiring the Secretary of Defense to take reciprocal action against countries that insist on offsets for the purchase of U.S. weapon systems. Although the problem is serious enough to justify the consideration of a stronger response, the committee decided to allow the Secretary of Defense to pursue a negotiated solution. If negotiations should fail, however, the committee will weigh the necessity of requiring some form of reciprocal action.

DOMESTIC BEARING INDUSTRY

The committee endorses efforts by the Department of Defense to assist the domestic bearing industry. These efforts are based on the 1986 Joint Logistics Commanders (JLC) bearing study which determined that bearing imports have severely harmed the domestic bearing industry and concluded that the domestic capacity is in imminent danger of being unable to support national defense needs. In March 1987, the Department of Defense issued a bearing action plan restricting the acquisition of industrial bearings to domestic sources for a 3-year trial period. The committee endorses this approach.

This year, the Department of Defense has proposed an exception to the restrictions of the action plan for ball bearings manufactured by a company with its corporate headquarters in a NATO country and with a U.S. subsidiary which exports bearings made in the United States. The committee directs the Secretary of Defense to provide the Congress with detailed justification for this proposed exception. The justification shall be submitted not more than 30 days following enactment of this act.

JAPANESE FIGHTER DEVELOPMENT (FSX/F-16)

The committee has closely followed the discussions between the United States and Japanese Governments on the development and production of the FSX aircraft for Japan.

Last year, the Japanese Government decided to codevelop and coproduce the FSX with General Dynamics on the basis of F-16 technology. While the committee would have preferred outright purchase by Japan as the most efficient use of defense resources, particularly in light of a 1987 trade deficit with Japan of over $60 billion, the committee regarded codevelopment and coproduction as the next best alternative.

The committee is concerned, however, that the United States and Japan have very different views of the way in which a codevelopment and coproduction program should be carried out. The committee's view is that U.S. officials should ensure that before export licenses are issued for detailed F-16 airframe technical data, agreed U.S. participation in the codevelopment and coproduction provides meaningful workshare for U.S. industry on the FSX/F-16 airframe and that Japan flows back expeditiously and without charge any technological improvements substantially derived from technology provided by the United States. The U.S. Government should not enter into a memorandum of understanding with the Japanese Government on FSX/F-16 that simply transfers American technology and jobs to Japan with nothing more than a license fee in return.

DOMESTIC PREFERENCE IN AWARDING DEFENSE CONTRACTS

The conference report on the National Defense Authorization Act for Fiscal Years 1988 and 1989 expressed the conferees' opposition to broad domestic preference in the awarding of defense contracts. The conferees felt that the United States would be better served by a strategy which seeks to remove protectionist barriers to defense trade raised by other governments while providing appropriate support to critical U.S. industries via the DOD manufacturing technology and other programs. The conferees said they would consider "selective application for limited periods of time of some degree of domestic preferences, if such preferences are part of a comprehensive solution to a particular industrial base requirement." The committee continues to hold these views.

The Secretary of Defense currently has the authority to provide for such selective, limited duration domestic preferences. In the case of the machine tool industry, he has chosen to exercise that authority as a part of a broader action plan, including support for the industry's manufacturing technology consortium, the National Center for Manufacturing Sciences. The Secretary has also decided to utilize a similar domestic preference regulation to provide temporary support to the bearings industry.

In the case of the precision optics industry, the Deputy Secretary of Defense on March 2, 1988 rejected the recommendation of the Joint Logistics Commanders for a domestic preference for DOD precision optics procurements. The committee is concerned that this decision may have been based on faulty information, and understands that the Joint Logistics Commanders and the Department of

Commerce also believe the information to be faulty. In the committee's view, the key question is how to encourage and sustain the viability of the high-technology, defense-oriented optics sector of the United States' optics industry. Based on the evidence presented to it, the committee believes that a carefully targeted, limited duration domestic preference in DOD procurement of precision optics can play an important role in ensuring the viability of this critical industry, just as in the cases of the machine tool and bearings industries. The committee therefore directs the Secretary of Defense, in consultation with the Secretary of Commerce, to reexamine the March 2, 1988 decision and report to the Armed Services Committees of the Senate and the House of Representatives his final determination with regard to the Joint Logistics Commanders' proposal. Such report is to be provided no later than August 1, 1988.

EXPORT OF UNITED STATES DEFENSE PRODUCTS

The United States benefits from increased exports of its defense products through a favorable impact on the balance of trade as well as through reductions in unit costs of specific systems acquired by the Department of Defense. The Department of Defense has recommended that the marketing costs of such exports be treated as allowable. To ensure that there is an appropriate degree of monitoring and that such costs are consistent with the government's interests, section 807 would treat such costs as allowable to the extent provided for in advance agreements between the contractor and the Department of Defense. Such costs would be allowed only to the extent allocable, reasonable, and not otherwise unallowable under applicable laws and regulations.

EQUITABLE POLICIES ON PURCHASE OF FOREIGN DEFENSE PRODUCTS

For many years, the annual defense appropriations act has prohibited the Department of Defense from buying a variety of defense supplies from foreign manufacturers. Commonly known as the "Berry Amendment", this "Buy America" restriction currently applies, with certain exceptions, to food, specialty metals, hand or measuring tools, and textile fabrics and products.

Although such restrictions may sometimes be necessary, the committee believes that they should be undertaken in a limited and balanced fashion. It is especially important that the Defense Department be able to pursue opportunities to achieve savings in the purchase of supplies and to strengthen cooperation with allied countries.

The committee recommends that the authority of the Secretary of Defense to waive the restrictions in section 8011 of the Fiscal Year 1988 Department of Defense Appropriations Act be expanded. In addition to the waiver authority that he may now exercise under section 8011, the Secretary would be able to waive the restrictions if two conditions are met: (1) the purchase of an article or item listed in section 8011 results in at least a 10 percent savings to the Department of Defense, and (2) the Secretary determines that the foreign country from which an article or item listed in section 8011 is bought does not impose limitations on the purchase of U.S. articles or items for its armed forces that are more restrictive than limitations imposed by the United States on purchases from that country for U.S. Armed Forces.

PROCUREMENT TECHNICAL ASSISTANCE COOPERATIVE AGREEMENT PROGRAM

The Procurement Technical Assistance Cooperative Agreement Program provides financial assistance to organizations operating programs that assist firms seeking to enter the Department's supplier base, especially small firms. Under section 807 of the National Defense Authorization Act for Fiscal Years 1988 and 1989, $7,000,000 is provided for this program out of the amounts appropriated for the defense agencies for fiscal year 1989. Last year, the Congress designated $500,000 of the 1988 amount for procurement technical assistance for Indian tribal organizations. Section 809 of this year's bill extends that provisions through fiscal year 1989.

Experience over the first three years of the program reflects that the majority of awards are being made to small business development centers based on state-wide educational institutions and to economic development organizations operated by States. Such State-wide programs have demonstrated the capability to provide effective coverage to the program's client base. To enhance the potential effectiveness of State-wide programs, section 809 increases the limitation on an award to an eligible entity from $150,000 to $300,000 if the technical assistance program is operated on a State-wide basis. Section 809 also gives the Procurement Technical Assistance Cooperative Agreement Programs the mission of providing assistance that facilitates the export of defense-related products and services.

REGULATORY SIMPLIFICATION AND STREAMLINING OF OVERSIGHT ACTIVITIES

A constant theme of witnesses before the committee has been the adverse effect on the efficiency of the acquisition system posed by the volume and complexity of acquisition laws and regulations and the duplication of oversight activities. The committee believes that the Department must place a greater priority on developing statutory and regulatory initiatives to eliminate procedures that add cost, rather than value to procurement process. The report required by section 810 is designed to encourage greater progress by the Department on these issues. In preparing this report, the committee expects the Under Secretary to obtain a broad range of views, including the views of the advisory panel established under section 811 of this bill.

The committee is concerned that the Department has not established criteria or procedures for a systematic evaluation of its regulatory simplification projects, such as the Pilot Contracting Program and the "could cost" system. To ensure proper and timely evaluation in the coming year, the bill requires DOD to make an assessment of these concepts and to establish a timetable for implementing regulatory reform measures.

With the exception of a minor proposal submitted on March 31 of this year, the Department has not responded to the committee's encouragement in last year's report, and during our hearings, to submit proposed changes in legislation to reduce the complexity of the acquisition system. The closing months of this administration provide an excellent opportunity for a comprehensive review of the acquisition statutes to provide the new administration and the next Congress with the basis for simplifying the acquisition process. Section 810 requires the Under Secretary of Defense for Acquisition to prepare a comprehensive analysis of the impact of current legislation on the effectiveness and efficiency of the acquisition system in meeting the national defense needs of the United States. This analysis should: (1) identify statutory impediments to timely fielding of new systems, innovation, and cost-effectiveness; and (2) ensure that any proposals developed as a result of that review will be evaluated from a system-wide perspective.

Finally, duplicative audit and oversight continues to be a serious problem within DOD. While an appropriate degree of review is essential to the integrity of the acquisition process, separate examination of the same issues by different agencies within the government is simply another form of waste. Repetitive reviews are contrary to the best interests of our national security, because they divert acquisition efforts into nonproductive activities. The Department has recognized this problem, but steps taken thus far, such as placing responsibility for monitoring duplicative oversight on the administrative contracting officer, do not provide realistic means of controlling the appetite of higher headquarters for oversight activities.

The report required by section 810 directs the Under Secretary to describe the results of his efforts to work with the Inspector General and the Comptroller on this problem, including a discussion of specific proposals for reducing duplicative oversight. Section 810 also requires the Under Secretary of Defense for Acquisition to provide for the coordination of the annual audit plans developed by the military departments and other DOD components.

DEPARTMENT OF DEFENSE ADVISORY PANEL ON GOVERNMENT-INDUSTRY RELATIONS

Although important progress has been made in the last year in identifying issues of mutual agreement between government and industry, a substantial amount of disagreement remains on the role that should be played by corporate self-governance programs and on the purposes of debarment and suspension procedures. In order to further the dialogue that was initiated in the Defense Industry Advisory Group to the Subcommittee on Defense Industry and Technology, section 811 requires the Secretary of Defense to establish a panel composed of persons from government, private industry, and academia to address issues of mutual concern.

The Advisory Panel should be established in accordance with the Federal Advisory Committee Act and should reflect an appropriate balance of views.

EVALUATION OF CONTRACT PROPOSALS FOR PROFESSIONAL AND TECHNICAL SERVICES

One of the byproducts of the emphasis on competition has been the increased submission of bids based on use of uncompensated overtime in the professional and technical services industry. Such bids obscure the actual hourly wage being paid to employees, thereby making it difficult to evaluate the bids on a standard basis. This practice also may encourage the submission of bids based on an unrealistic assumption of the relationship between the number of hours bid on an employee's workweek and the required quality of work. Section 812 establishes a standard for evaluating hourly labor costs in proposed contracts for employees who are not covered by the Fair Labor Standards Act's wage and hour limitations. This standard will ensure uniformity in bid evaluation. It does not apply to contract audit, and is not intended to affect the wage and hour rules under the Fair Labor Standards Act.

ACQUISITION MANAGEMENT AND GOVERNMENT CONTRACTING EDUCATION

The increased attention in recent years to acquisition reform has not been matched by attention to the acquisition workforce. Distinguished groups such as the Packard Commission and the Defense Science Board have emphasized the importance of the acquisition workforce to improvement of the acquisition process, and have recommended the establishment of an alternative personnel management system. The Department of Defense has strongly endorsed the need for an alternative system, and the committee intends to be involved actively in legislative efforts now underway to expand the use of alternative systems. The goal is to provide greater flexibility in managing and rewarding the acquisition workforce, and thereby resolve the recruitment and retention problems so evident in our DOD acquisition organizations.

The committee also notes the importance of attracting highly qualified and motivated people to government service not only through incentives, but also by establishing appropriate entry level qualifications. Section 813 requires the department to conduct a detailed survey of graduate-level programs and courses on government contracting and acquisition management, to provide an assessment of the extent to which such programs meet the Department's needs, and to develop a plan for establishing appropriate education and training criteria for acquisition workforce applicants.

SCIENCE AND ENGINEERING WORKFORCE STUDY

In recognition of a potentially severe shortfall in scientists, engineers, and technicians qualified to support Department of Defense programs and operations, DOD initiated a five-year study in 1985 programs to draw more women and minorities into these critical fields. The completion phase of the study will focus on design, development, and field testing of intervention modules in a consortium of universities and colleges to increase participation by these minorities and women in critical career fields. Section 814 requires that the study be completed.

AUTHORITY AND RESPONSIBILITY OF DOD ACQUISITION OFFICERS

The proliferation of "advocates" within the acquisition system, as well as the expansion of audit, oversight, quality management, and testing functions, has led to concern that program managers and contracting officers lack sufficient authority to accomplish their basic tasks in developing and procuring weapons systems in the most efficient manner. Section 815 requires the Secretary of Defense to develop rules to ensure that acquisition program managers and contracting officers are provided with decisionmaking authority that is commensurate with their responsibilities. The committee expects that these rules will address the relationship of program managers and contracting officers to the programming and budgeting process as well as to the chain of authority for the expenditure of funds.

PRODUCT EVALUATION ACTIVITY

In hearings during the past year, the committee has learned of many programs by private industry to develop products for potential use by the military departments. This responds in part to the call of the Packard Commission to expand the use of off-the-shelf commercially-developed hardware, and to shorten the lengthy development process typical of most military hardware.

It is difficult for industry to coordinate its development efforts with the government's budget cycle. Frequently, programs of potential promise must wait years to be funded for evaluation by one of the military departments. Further, the departments are not inclined to invest their limited resources in programs that are being developed independently by industry.

Section 816 requires the Department to establish a product evaluation activity for purposes of demonstrating and evaluating promising items of equipment. The product evaluation activity should be coordinated by the Under Secretary of Defense for Acquisition, but managed by the individual military departments. For this purpose, the committee has recommended that $15 million be provided.

The committee recognizes that there must be some internal discipline within this program if there are to be sufficient resources to evaluate a range of products during the year. As such, the bill includes a provision establishing the product evaluation activity, and includes a requirement that the government's expenses for the activity be shared on an equal basis between the contractor and the government. This provision is designed to create discipline within the conduct of a demonstration such that a sufficient evaluation of the product is completed without transforming the demonstration into a contractor sales promotion.

In other places in this report, programs are identified as potential candidates for evaluation under the product evaluation activity. In addition, the committee has learned of other promising technologies such as the Navy Advanced Anti-Ship Seeker/Guidance Program; the Navy Advanced Metal Spray Manufacturing Process (OSPRAY); the Advanced Transport Aircraft (VSTOL); an improved manufacturing technique for ductile iron casting and austempering; and the Eyring hardened buried and low-profile broadband HF/VHF antennae.

CRITICAL TECHNOLOGIES PLAN

During the last two years, the committee has sought a listing of those technologies the Department of Defense and the Department of Energy consider most critical to the long-term ability of the United States to develop and field technologically superior defense systems. The committee believes that a focused research and development program would lead to a relative prioritization of the Department's major technology thrust areas, with commensurate resources directed at those technologies. Instead, the Department research program appears fragmented, with the services and defense agencies pursuing uncoordinated research efforts. The committee believes that in an era of constrained budgets, specific and intense emphasis must be given to science and technology programs that will provide the basis for long-term technological superiority in deployed weaponry. The committee further believes that the office of the Secretary of Defense must play a central role if the Department is to gain the most from the limited resources available.

Section 817 of the bill requires the Under Secretary of Defense for Acquisition, in consultation with the Assistant Secretary of Energy for Defense Programs, to submit by March 15 of each calendar year a plan for developing the 20 technologies they consider most important to maintaining the United States' qualitative edge in defense systems over the long-term. The technologies selected may be either product or process technologies.

The plan is to include for each technology the reasons for selecting that technology; an outline of milestone goals; proposed resources in the budgets of the Department of Defense, Department of Energy, and, if appropriate, other agencies to achieve those goals; a comparison of the relative positions of the United States and Soviet Union; the potential contributions of allies of the United States, and the degree to which dependence on our allies is deemed appropriate; and the potential contributions of industry as spinoffs from the pursuit of non-military applications.

The report may be submitted in classified and unclassified forms to the Committees on Armed Services of the Senate and House of Representatives.

UNDEFINITIZED CONTRACTUAL ACTIONS

Several restrictions were enacted in 1986 to address concerns about the Department's management of undefinitized contractual actions. In addition to permanent restrictions set forth in 10 U.S.C. 2326, section 908 of the National Defense Authorization Act for Fiscal Year 1987 prescribed extensive data collection and reporting requirements on undefinitized contractual actions through March 31, 1989. Section 908 also provided that funds obligated for undefinitized contractual actions during prescribed six month periods through March 31, 1989, that are not definitized may not exceed 10 percent of the total amount of funds obligated for all contractual actions. Section 818 of this bill eliminates the reporting requirements and 10 percent limitation imposed by section 908. In taking this action, the committee emphasizes the importance of internal oversight by DOD to ensure that there is a continued reduction in the number of undefinitized contractual actions. This section codifies the requirement for oversight by the Inspector General to ensure adequate monitoring of undefinitized contractual actions. The committee emphasizes that it will continue to monitor the Department's management of undefinitized contractual actions and will reinstate the legislative restrictions if such management proves deficient.

COMPETITIVE PROTOTYPE STRATEGIES

Under current law, 10 U.S.C. 2365, the Secretary of Defense must require the use of a competitive prototype programs strategy in the development of major weapons systems or subsystems unless the Secretary provides the Congress with prior written notice and an extensive justification. Although there are circumstances in which competitive prototyping constitutes an appropriate acquisition strategy, the requirement under current law to estimate the total cost of both a competitive prototype strategy and an alternative program strategy at a very early stage in the acquisition cycle establishes a presumption in favor of competitive prototyping at a point in the process when the appropriate financial and programmatic information is not necessarily available. The requirement for competitive prototyping does not allow program managers to take full advantage of other techniques that may be more cost-effective, such as modeling, analysis, or simulations which can rule out designs that would not be cost-effective. Also, because prototyping requires greater up-front costs for all programs, it can produce a significant loss when a program does not proceed into production.

Mandatory prototyping of subsystems exacerbates these problems by aggregating the program schedule risk associated with each of the subsystems. It also increases design instability because of the difficulty of interfacing subsystems being developed in multiple configurations.

Section 819 of the bill modifies current law to strengthen the authority of the Secretary of Defense to waive competitive prototyping, and permits factors other than cost (e.g., technological considerations) to be evaluated in developing an appropriate acquisition strategy. It also leaves the decision with the program manager as to whether competitive prototyping should be used for subsystems. This provision revises the definition of "major weapon system" and eliminates the delays imposed by the congressional notification requirement.

NEGOTIATION OF SUBCONTRACTING PLANS

Section 820 revises section 8(d) of the Small Business Act to authorize negotiation of plant or division-wide small business and small disadvantaged business subcontracting plans, including goals. Under current law, subcontracting goals are negotiated and tracked on an individual contract basis, a process that is time-consuming and costly for both government and contractor personnel. By permitting goals to be negotiated and tracked on a plant or division-wide basis, section 820 should significantly reduce administrative burdens and would enhance efforts to assure small business participation in subcontracts.

SMALL BUSINESS ADMINISTRATION CERTIFICATE OF COMPETENCY PROGRAM

Section 8(b) of the Small Business Act requires that whenever a contracting officer finds a small business concern ineligible for a contract award, the Small Business Administration (SBA) must be notified of this finding in writing. If the SBA finds that the business is a responsible bidder, that finding is conclusive. The SBA may not establish exemptions from the referral requirements. This certification of competency process can be quite time consuming for the procuring agency, the SBA, and the company concerned. Section 821 of the bill revises this procedure to provide that the contracting officer need not forward an ineligibility determination to the SBA unless the small business concern makes an application to the administration for a determination of responsibility, if the contract is below the small purchase threshold (presently $25,000). This will reduce paperwork burdens on the acquisition process without diminishing the rights of small businesses.

PROCUREMENT OF CRITICAL SPARE PARTS

Over the past four years, the committee has approved several provisions intended to increase competition in spare parts procurement. In general, these measures have resulted in documented savings and in a broadened defense industrial base. The committee is concerned, however, that there has not been sufficient attention paid to quality control in the purchase of critical parts for use on aircraft, which has resulted in the unintentional purchase of defective or counterfeit parts.

Section 822 requires that all critical spare or repair parts for aircraft meet all appropriate qualification and contractual quality requirements. The provision requires that such requirements be, at a minimum, as stringent as those specified for the original part or its redesigned replacement.

INDEPENDENT RESEARCH AND DEVELOPMENT

The strength of our technology base requires that our research and development programs reflect a healthy mix of government-directed and industry-initiated programs. The latter programs, known as independent research and development (IR&D) programs, represent the investments made by an individual company in exploring new concepts and technologies to improve its competitive position. This competition in ideas directly benefits our national security, and is recognized through government reimbursement of IR&D expenditures. The committee has received testimony from witnesses from the Department of Defense and the RAND Corporation on the benefits to the United States of IR&D expenditures. In particular, the witnesses cited the benefits of hedging against uncertainties in formal DOD research efforts and aiding the transfer of technology from the defense to the commercial sector.

In recent years, the IR&D process has become increasingly cumbersome. The committee recommends that the Department consolidate the tri-service negotiation function in the Office of the Under Secretary of Defense for Acquisition, and that it implement a two-year documentation and review cycle, with simplified procedures, for advance IR&D agreements. The committee also believes that the Department should be permitted to manage the IR&D program based on its own judgment as to the appropriate level of reimbursement without legislatively imposed ceilings.

SENIOR ACQUISITION POSITIONS

In 1986, the President's Blue Ribbon Commission on Defense Management, popularly known as the "Packard Commission," diagnosed the acquisition system as "fundamentally ill" and concluded:

> Chances for meaningful improvement will come not from more regulation but only with major institutional change.

As the cornerstone of its plan to cure the ills of the procurement process, the Packard Commission recommended "creation by statute of the new position of Under Secretary of Defense (Acquisition)" with "full time responsibility for managing the defense acquisition system." The Packard Commission also recommended that each military department appoint a full-time service acquisition executive.

These positions have been established by law and regulation. It is too early to assess the impact of these organizational changes on the acquisition process, particularly in view of the difficult task of establishing the authority of that position in the face of internal resistance. To ensure that the Under Secretary and the service acquisition executives have sufficient authority and responsibility to make the major changes contemplated by the Packard Commission, the committee will continue to monitor these positions through oversight and nomination hearings. Two preliminary observations are in order with respect to the coming change in administrations. First, it is imperative that the new administration fill the positions of Under Secretary service acquisition executive, and related assistant secretary positions with persons who have demonstrated experience in the defense acquisition process. These are not positions that lend themselves to on-the-job training. Second, the new administration must fill the position of Deputy Under Secretary of Defense for Acquisition. The Under Secretary has one of the most difficult jobs in all of government, and it is essential that he have the services of an "alter ego" to ensure timely performance of critical tasks.

PRICE-ONLY COMPETITION

The Competition in Contracting Act has had a beneficial effect on the acquisition process. However, the purpose of the act was not to establish competition for competition's sake. The law recognizes that price is not the only determination; quality is important and should be stressed in competition. Although this seems to be well-understood at headquarters-level, it is not clear that this message has reached the field. The Under Secretary of Defense for Acquisition should review current rules and guidelines to ensure that there is sufficient guidance to the field on the relationship between price and quality.

NONDEVELOPMENTAL ITEMS

The Packard Commission found that substantial savings could be achieved if DOD, to the maximum extent practical, purchased existing commercial products rather than products manufactured to military specifications. The Congress has expressed a legislative preference for the purchase of such nondevelopmental items. As evidenced by DOD's recent report on nondevelopmental items, it is clear that the Department has not yet come to grips with the impediments to acquisition of commerical products caused by its current rules. The committee expects the department to work closely with the General Accounting Office in GAO's study of this issue, and to act promptly upon GAO's report in order to facilitate the acquisition of nondevelopmental items.

TITLE IX—GENERAL PROVISIONS

SEC. 901—TRANSFER AUTHORITY

Section 901 would permit the transfer of an authorization for obligation for any fiscal year to any other authorization for that fiscal year made available in titles I, II or III upon determination by the Secretary of Defense that such a transfer would be in the national interest. The provision provides the authorization for reprogrammings involving the transfer of authorization between authorizations as set out in bill language.

The authority to transfer could only be used to provide authorization for higher priority items than the items from which authorization was transferred and could not be used to provide authorization for an item that was denied authorization by the Congress. The Secretary of Defense would be required to notify the Congress promptly of transfers. The total amount of transfers would be limited to $3 billion.

SEC. 902—FISCAL YEAR 1988 DEFENSE FUNDS TRANSFER AUTHORITY

Since the enactment of the fiscal year 1988 Defense Appropriations Act, the Defense Department has accumulated certain "must pay" bills for which funds were not included in the Appropriations Act. Further, the Act reduced funding for the operation and maintenance accounts in order to meet the outlay targets of the deficit reduction agreement between the President and the Congress.

The Department of Defense has indicated that it may be necessary to reduce operating tempos and to take management actions in the area of civilian manpower, including furloughs, in order to offset the funding shortfalls in the operation and maintenance accounts. The Department has requested expanded authority to transfer funds within DOD accounts to cover these costs.

Section 1201 of the National Defense Authorization Act for Fiscal Years 1988 and 1989 provides authority to transfer an authorization for obligation for any fiscal year to any other authorization for that fiscal year made available in titles I, II or III of the Act upon determination by the Secretary of Defense that such a transfer would be in the national interest. This authority to transfer can only be used to provide authorization for higher priority items than the items from which authorization was transferred and cannot be used to provide authorization for an item that was denied authorization by the Congress. The Secretary of Defense is required to promptly notify the Congress of transfers. The total amount of transfers is limited to $2 billion.

Section 902 of the committee bill would increase the ceiling on this transfer authority to $4 billion for fiscal year 1988, and allow transfers of prior year authorizations to fiscal year 1988. This section would also provide that in determining the purposes for which amounts transferred pursuant to this section will be used, the Secretary of Defense shall ensure that an appropriate portion of this authority is used to transfer funds to operation and maintenance accounts to maintain readiness and avoid furloughs and other adverse actions to the civilian workforce of the Department of Defense.

SEC. 903—SUPPLEMENTAL AUTHORIZATION FOR FISCAL YEAR 1988

The Department of Defense Appropriations Act, 1988 (as contained in Public Law 100-202) provided appropriations in excess of the levels authorized by the National Defense Authorization Act for Fiscal Years 1988 and 1989 (Public Law 100-180) for various accounts and for many programs, projects, and activities. On an account basis, these excess appropriations totaled $7,250.6 million. On a line item basis (programs, projects, and activities), $8,896.1 million was appropriated in excess of authorizations. Such appropriations are inconsistent with 10 U.S.C. 114, which provides that funds may not be appropriated, obligated, or expended for specific defense programs unless funding has been specifically authorized by law.

On February 19, 1988, the Secretary of Defense wrote to the Committees on Armed Services of the Senate and the House of Representatives seeking permission to obligate the excess appropriations. The committees directed the Secretary not to obligate those funds until the committees had an opportunity to review them, particularly considering the Department's request for $4 billion in transfer authority to shift funds to pay certain legally-binding obligations for which no funds currently are available. These "must pay" bills include such programs as CHAMPUS reimbursements and overseas station allowances.

The committee has reviewed the excess appropriations and is recommending several steps in section 903.

Subsections (a) and (b) of section 903 provide a supplemental authorization for certain programs for which the amounts appropriated exceeded the amounts authorized and denies obligational authority for other programs, projects and activities. The recommendations contained in this bill are based on a thorough review by the Committee on Armed Services of all excess appropriations in light of the most recent available information on defense priorities and fiscal realities.

On an account basis, this supplemental authorization provides authority to obligate $7,230.6 million of the excess appropriations while denying authorization for $20.0 million. On a program, project, or activity basis, this bill provides authorization for $8,662.3 million of the funds appropriated in excess of authorized levels in fiscal year 1988 while denying authorization for $233.8 million, including the $20 million for Coastal Defense Augmentation programs.

Section 903(c) denies authority to obligate $233.8 million for four specific programs, projects, or activities for which funds were appropriated in fiscal year 1988. These four programs are:

Maxicube Cargo System.—The Department of Defense Appropriations Act, 1988, provided $10.0 million to procure and evaluate the

Maxicube Cargo System. The maxicube trucks are commercial vehicles designed to transport light cargo. The vehicles cannot be used off highways, and cannot withstand field operations. The system is not logistically common to any other vehicle in the Army. The Army has no requirement for the vehicle and has not requested any funds for it. For these reasons, the committee directs that none of the funds appropriated for Maxicube Cargo System be obligated or expended.

Coastal Defense Augmentation.—The Department of Defense Appropriations Act, 1988, provided $20.0 million to procure antisubmarine equipment for Coast Guard 270-foot medium endurance cutters. The Department has provided no analysis to the committee to justify the requirement for or effectiveness of the Coast Guard cutters in the ASW role. Therefore, the committee directs that none of the funds provided by the Act be obligated or expended to procure and install antisubmarine warfare equipment on Coast Guard 270-foot medium endurance cutters.

AN/SQR-17A Acoustic Processor.—The Department of Defense Appropriations Act, 1988, provided $10.0 million to the Navy Reserve Mobile In-Shore Undersea Warfare group to procure the AN/SQR-17A acoustic processor. As of fiscal year 1987, the Navy has 12 more AN/SQR-17A acoustic processors than are required. The committee directs the Navy to provide processors to the Navy Reserve and not to obligate any of the funds provided in fiscal year 1988 to procure AN/SQR-17A acoustic processors.

P-3C Aircraft.—The Navy did not request P-3 aircraft in fiscal year 1988 and none were authorized. Instead, the Navy intends to proceed with a new generation Long Range ASW Combat Aircraft. The Authorization Act provided $34.1 million to preserve a production option on P-3 aircraft in the future. The Authorization Act also contained a provision (section 1126) establishing a cap on funds ($207 million) available for procurement and modification of P-3 aircraft. The Appropriations Act provided $193.8 million to procure six P-3C aircraft for the Naval Reserve, and explicitly waived section 112(b) of the Authorization Act.

The committee continues to believe that the Navy's decision to request no P-3C aircraft in fiscal years 1988 and 1989 was correct in view of the pending start of a future long range ASW patrol aircraft. The committee also believes that the Navy cannot afford to maintain extremely inefficient production lines in a period of declining budget resources. The P-3 production line was designed to build 24 P-3 aircraft per year. A production rate of six aircraft operates at only 25 percent of capacity and drives up unit costs.

Consequently, the committee directs that no funds be obligated or expended to procure P-3 aircraft with funds appropriated in fiscal year 1988.

The following tables summarize the committee's actions on supplemental authorizations for fiscal year 1988.

SUMMARY OF FY1988 SUPPLEMENTAL AUTHORIZATION
(Dollars in Thousands)

P-1 LINE	ITEM	BUDGET REQUEST QTY	BUDGET REQUEST AMOUNT	AUTHORIZED AMOUNT QTY	AUTHORIZED AMOUNT AMOUNT	APPROPRIATED AMOUNT QTY	APPROPRIATED AMOUNT AMOUNT	EXCESS APPROPRIATION QTY	EXCESS APPROPRIATION AMOUNT	SUPPLEMENTAL AUTHORIZATION QTY	SUPPLEMENTAL AUTHORIZATION AMOUNT
				FY1988 UNAUTHORIZED APPROPRIATIONS AT THE ACCOUNT LEVEL							
	OPERATIONS & MAINTENANCE										
	Environmental Restoration		402,800		392,800		402,800		10,000		10,000
	PROCUREMENT										
	Shipbuilding & Conversion		11,065,355		9,530,427		16,155,355		6,624,928		6,624,928
	Coastal Defense Augmentation		0		0		20,000		20,000		
	Army National Guard		0		125,000		273,100		148,100		148,100
	Air National Guard		0		258,000		341,000		83,000		83,000
	Air Force Reserve		0		165,000		202,100		37,100		37,100
	Navy Reserve		0		25,000		258,800		233,800		233,800
	MILITARY CONSTRUCTION										
	Milcon, Army National Guard		170,400		177,289		181,905		4,616		4,616
	Milcon, Air National Guard		160,800		144,091		147,791		3,700		3,700
	Milcon, Army Reserve		95,100		88,100		93,300		5,200		5,200
	Milcon, Naval Reserve		73,737		68,737		72,537		3,800		3,800
	Milcon, Air Force Reserve		79,300		74,300		77,300		3,000		3,000
	OTHER										
	Chemical Munitions Destruction		87,400		125,100		198,500		73,400		73,400
	TOTAL								7,250,644		7,230,644

SUMMARY OF FY1988 SUPPLEMENTAL AUTHORIZATION
(Dollars in Thousands)

P-1 LINE	ITEM	BUDGET REQUEST QTY	BUDGET REQUEST AMOUNT	AUTHORIZED AMOUNT QTY	AUTHORIZED AMOUNT AMOUNT	APPROPRIATED AMOUNT QTY	APPROPRIATED AMOUNT AMOUNT	EXCESS APPROPRIATION QTY	EXCESS APPROPRIATION AMOUNT	SUPPLEMENTAL AUTHORIZATION QTY	SUPPLEMENTAL AUTHORIZATION AMOUNT
	PROCUREMENT										
	Aircraft Procurement, Army										
	C-20 Aircraft					1	20,000	1	20,000	1	20,000
	Missile Procurement, Army										
12	LASER HELLFIRE SYSTEM..................	5,000	168,358	5,000	168,358	6,000	203,358	1,000	35,000	1000	35,000
13	TOW 2 (MYP)............................	9,416	131,239	9,416	131,239	11,916	159,739	2,500	28,500	2500	28,500
	Weapons & Tracked Combat Vehicles										
19	TANK,COMBAT,FT,105MM GUN,M60SER (MOD))MY	--	23,300	--	23,300		90,000		66,700		66,700
	How, Med Sp Ft 155mm M109 Ser(Mod) AP-CY						12,726		12,726		12,726
	Ammunition, Army										
50	CTG,120MM,HE W/PD FUZE..................	14	4,435	0	0	14	4,435	14	4,435	14	4,435
	CTG,120MM,TNG 1/10	16	2,070			16	2,070	16	2,070	16	2,070
	PROVE-OUT M483						5,600		5,600		5,600
	Demolition Munitions		28,500		28,200		28,500		300	0	300
123a	RDX/HMX	--	---		146,700		262,700		116,000		116,000
	Other Procurement Army										
13	SMALL UNIT SUPPORT VEHICLE (SUSV).......	352	38,046	352	18,046	352	38,046		20,000		20,000
30	TRI-TAC EQUIPMENT.......................	--	183,532	--	125,532		145,500		19,968		19,968
124	INTELLIGENCE DATA HANDLING SYS (IDHS)...	--	24,978	--	18,197		25,161		6,964		6,964
233	M-9 ARMORED COMBAT EARTHMOVER (ACE).....	127	66,954	127	63,954		63,054		9,100		9,100
242	TAG PRINTING & BINDINF EQUIPMENT		4,840				2,640		2,640		2,640
243	PRINT PLANT,SW TRANSPORTABLE	5	2,369				1,200		1,200		1,200
	CBT SUP EQUIP MEDICAL...................	--	44,980	--	44,980		118,896		73,916		73,916
281	ITEMS LESS THAN $2.0M (CONST EQUIP).....	--	12,768	--	9,768		11,268		1,500		1,500
	TOTAL ARMY PROCUREMENT								426,609		426,609

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SUMMARY OF FY1988 SUPPLEMENTAL AUTHORIZATION
(Dollars in Thousands)

P-1 LINE	ITEM	BUDGET REQUEST		AUTHORIZED AMOUNT		APPROPRIATED AMOUNT		EXCESS APPROPRIATION		SUPPLEMENTAL AUTHORIZATION	
		QTY.	AMOUNT	QTY	AMOUNT	QTY	AMOUNT	QTY	AMOUNT	QTY	AMOUNT
	Aircraft Procurement Navy										
5	AV-8B (V/STOL) HARRIER....................	32	564,159	24	427,752	24	437,000		9,248		9,248
14	AH-1W (HELICOPTER) SEA COBRA............	22	172,663	17	135,000	34	225,550	17	90,550	17	90,550
35	E-6A....................................	3	189,202	2	126,135	3	174,202	1	48,067	1	48,067
37	UH-60A..................................	3	42,525	3	42,525	9	103,000	6	60,475	6	60,475
54	SH-60 SERIES MOD	--	1,058	--	1,058		14,058		13,000		13,000
57	H-2 SERIES MOD		19,608		45,108		55,000		9,892		9,892
79	SPECIAL SUPPORT EQUIPMENT................	--	26,112	--	26,112		86,112		60,000		60,000
	Weapons Procurement, Navy										
15	SGM-84A HARPOON (MYP)	124	110,660	124	110,660	124	142,660		32,000		32,000
25	LASER MAVERICK	1,099	111,807	99	9,307	2,000	263,200	1,901	253,893	1901	253,893
56	CAPTOR MODS	102	11,825	102	11,825	401	38,000	299	26,175	299	26,175
	Shipbuilding										
	CVN AIRCRAFT CARRIER (NUCLEAR) (AP-CY)	--	644,000	--	644,000	2	6,325,000	2	5,681,000	2	5,681,000
	CG-47 AEGIS CRUISER (MYP)................	2	1,926,500	5	3,328,900	5	4,127,000		798,100		798,100
33	LCAC LANDING CRAFT (AP-CY)..............	--	43,700	--	33,700		36,500		2,800		2,800
	Other Procurement Navy										
42	NAVAL SPECIAL WARFARE EQUIPMENT.........	--	30,653	--	30,653		45,653		15,000		15,000
116	MK XII AIMS IFF.........................	--	12,908	--	12,908		18,208		5,300		5,300
	Procurement, Marine Corps										
35	HAWK (MYP) (AP-CY)......................	--	24,350	--	14,000		20,000		6,000		6,000
39	TOW (MYP)...............................	2,680	26,940	2,680	26,940		38,440		11,500		11,500
1	COASTAL DEFENSE AUGMENTATION............	--	---	--	---		20,000		20,000		0
	TOTAL NAVY/MC PROCUREMENT								7,143,000		7,123,000

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SUMMARY OF FY1988 SUPPLEMENTAL AUTHORIZATION
(Dollars in Thousands)

P-1 LINE	ITEM	BUDGET REQUEST QTY	BUDGET REQUEST AMOUNT	AUTHORIZED AMOUNT QTY	AUTHORIZED AMOUNT AMOUNT	APPROPRIATED AMOUNT QTY	APPROPRIATED AMOUNT AMOUNT	EXCESS APPROPRIATION QTY	EXCESS APPROPRIATION AMOUNT	SUPPLEMENTAL AUTHORIZATION QTY	SUPPLEMENTAL AUTHORIZATION AMOUNT
	Aircraft Procurement, Air Force										
24	CIVIL AIR PATROL A/C	38	600	38	600	38	1,500		900		900
58	CLASSIFIED PROJECTS......................	--	83,728		53,728		72,900		19,172		19,172
	Missile Procurement, Air Force										
54	SPECIAL UPDATE PROGRAMS.................	--	1,236,200	--	403,200		436,200		33,000		33,000
	Strategic Enhancement		0		0		185,000		185,000	0	185,000
	Other Procurement, Air Force										
73	BUS, 44 PASSENGER.........................	91	4,320	91	0	40	1,894		1,894		1,894
	CAP VEHICLES						800		800		800
183	LAUNCH CONTROL CENTER COMMUNICATIONS....	--	12,292		6,194		8,100		1,906		1,906
	CAP COMMO/ELECT						500		500		500
212	RANGE IMPROVEMENTS.......................	--	141,331	--	151,331		176,331		25,000		25,000
297	MISC EQUIPMENT...........................	--	18,468		6,604		12,104		5,500		5,500
	TOTAL AIR FORCE PROCUREMENT								273,672		273,672

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SUMMARY OF FY1988 SUPPLEMENTAL AUTHORIZATION
(Dollars in Thousands)

P-1 LINE	ITEM	BUDGET REQUEST QTY	BUDGET REQUEST AMOUNT	AUTHORIZED AMOUNT QTY	AUTHORIZED AMOUNT AMOUNT	APPROPRIATED AMOUNT QTY	APPROPRIATED AMOUNT AMOUNT	EXCESS APPROPRIATION QTY	EXCESS APPROPRIATION AMOUNT	SUPPLEMENTAL AUTHORIZATION QTY	SUPPLEMENTAL AUTHORIZATION AMOUNT
	National Guard and Reserve Equipment										
2	MISCELLANEOUS EQUIPMENT, NAVY RESERVE		---		25,000		40,000		15,000		15,000
	AN/SQR-17A						10,000		10,000		0
0	SEABEES..................................	--	---	--	---		15,000		15,000		15,000
	P-3C Aircraft, NAVY RES					6	193,800	6	193,800	0	0
4	MISCELLANEOUS EQUIPMENT, AIR FORCE RESERVE		---		15,000		35,000		20,000		20,000
	C-5A SIMULATOR					1	12,300	1	12,300	1	12,300
	WEATHER RECONAISSANCE SYSTEM					4	4,800	4	4,800	4	4,800
5	MISCELLANEOUS EQUIPMENT, ARMY GUARD				60,000		100,000		40,000		40,000
	FIST-V						20,000		20,000		20,000
	C-23 AIRCRAFT, ARMY GUARD					9	60,000	9	60,000	9	60,000
	CANNON REPLACEMENT PROGRAM, ARMY GURAD						28,100		28,100	0	28,100
6	MISCELLANEOUS EQUIPMENT, AIR NATL GUARD		---		20,000		30,000		10,000		10,000
0	MH-60G HELICOPTERS AND SUPPORT EQUIPMENT	--	---	12	88,000	16	117,000	4	29,000	4	29,000
	HC-130 AIRCRAFT, AIR NATL GUARD					2	44,000	2	44,000	2	44,000
	TOTAL GUARD & RESERVE								502,000		298,200
	Chemical Agents and Munitions Destruction										
0	OPERATION AND MAINTENANCE...............	--	83,900	--	94,100		97,000		2,900		2,900
2	PROCUREMENT.............................	--	---	--	19,500		96,600		77,100		77,100
	TOTAL PROCUREMENT								8,425,281		8,201,481

SUMMARY OF FY1988 SUPPLEMENTAL AUTHORIZATION
(Dollars in Thousands)

R-1 LINE		Program	FY 1988 Request	Authorized Amount	Appropriated Amount	Excess Appropriation	Supplemental Authorization
		RESEARCH AND DEVELOPMENT					
		Army					
37	63105A	Acquired Immune Deficiency System (AIDS)	5,000	5,000	11,500	6,500	6,500
42	63224A	Army Development and Employment Activity	11,936	10,936	11,936	1,000	1,000
	63604A	Nuclear Munitions	[ ]	(3,000)		3,000	3,000
137	64802A	Weapons and Munitions Engineering Develo	111,904	109,553	111,904	2,351	2,351
143	64808A	Landmine Warfare/Barrier Engineering Dev	7,343	12,000	14,843	2,843	2,843
147	23735A	Combat Vehicle Improvement Program (D280	103,968	103,968	122,768	18,800	18,800
152	23745A	Equipment Upgrade......................	15,137	15,137	26,327	11,190	11,190
		Multipurpose Individual Muntion Evaluati	0	10,000	11,000	1,000	1,000
		Ground Launch Hellfire..................	0	3,000	5,000	2,000	2,000
		Maxi Cube Cargo Handling System			10,000	10,000	0
		Total Army				58,684	48,684
		Navy					
12	62314N	ASW Technology.........................	92,569	82,000	92,569	10,569	10,569
16	62435N	Ocean and Atmospheric Support Technology	26,727	23,000	25,727	2,727	2,727
27	63706N	Medical Development....................	17,446	17,446	19,546	2,100	2,100
35	63747N	Advanced Anti-Submarine Warfare Technolo	22,759	20,000	22,759	2,759	2,759
45	11228N	Trident................................	31,595	26,595	31,595	5,000	5,000
53	63207N	Air/Ocean Tactical Applications.........	13,971	10,000	11,500	1,500	1,500
97	63569N	Attack Submarine Development............	12,899	100,000	112,899	12,899	12,899
115	63708N	ASW Signal Processing..................	18,431	16,000	18,431	2,431	2,431
123	63725N	Facilities Improvement.................	9,957	8,000	9,957	1,957	1,957
131	63746N	RETRACT MAPLE..........................	65,028	65,028	72,028	7,000	7,000
196	64574N	Standard Embedded Computer Resources....	29,397	1,110	16,110	15,000	15,000
200	64602N	Gun Ammunition Improvement.............	10,266	9,266	10,266	1,000	1,000
		Skipper.............................			9,200	9,200	9,200
		Quick Reaction Surveillance System......	0	13,000	15,000	2,000	2,000
212	64707N	Theatre Mission Planning Center	28,342	20,000	28,342	8,342	8,342
285	65154N	Center for Naval Analyses...............	19,880	17,000	19,880	2,880	2,880
295	65862N	RDT&E Instrumentation and Materiel Suppo	41,835	35,000	41,835	6,835	6,835
296	65863N	RDT&E Ship and Aircraft Support.........	92,944	85,000	92,944	7,944	7,944
302	35160N	Defense Meteorological Satellite Program	4,107	4,107	44,107	40,000	40,000
		AN/SQR-17 Torpedo Detective Processor....			12,000	12,000	12,000
		Total Navy				154,143	154,143

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SUMMARY OF FY1988 SUPPLEMENTAL AUTHORIZATION
(Dollars in Thousands)

R-1 LINE		Program	FY 1988 Request	Authorized Amount	Appropriated Amount	Excess Appropriation	Supplemental Authorization
		Air Force					
12	62302F	Rocket Propulsion......................	43,339	38,000	38,532	532	532
17	63109F	INEWS/ICNIA............................	83,300	85,000	85,300	300	300
76	12311F	NCMC - Space Defense Systems............	26,371	10,000	23,500	13,500	13,500
102	63256F	CV-22A..................................	32,025	30,000	32,025	2,025	2,025
146	64706F	Life Support Systems....................	12,617	10,000	12,617	2,617	2,617
218	35114F	Traffic Control, Approach, and Landing S	12,095	23,000	25,995	2,995	2,995
224	63438F	Satellite Systems Survivability..........	3,277	3,277	8,577	5,300	5,300
248	35110F	Satellite Control Facility..............	109,531	90,000	95,831	5,831	5,831
	35172F	BERNIE	[ ]	(31,000)	(16,000)	15,000	15,000
	33603F	MILSTAR SATCOM	[ ]		25,000	25,000	25,000
	35159F	Defense Recon Support Activities	[ ]	(44,400)	65,600	110,000	110,000
		Classified Aircraft Program.............	0	0	20,000	20,000	20,000
		Total Air Force				203,100	203,100
		Defense Agencies					
23	63702D	Special Operations, Special Technology O	11,354	8,354	12,354	4,000	4,000
		Center for Compound Semiconductor Tech			10,000	10,000	10,000
		Center for Adv Compound Semiconductor Tech			25,000	25,000	25,000
		Total Defense Agencies				39,000	39,000
		Developmental Test & Evaluation					
3	65111D	Foreign Weapons Evaluation..............	13,889	13,889	29,811	15,922	15,922
		Total Research & Development				470,849	460,849

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Section 903(c)(2) includes three provisions amending or repealing certain legislative restrictions in the Department of Defense Appropriations Act, 1988.

Forward Area Air Defense System.—The National Defense Authorization Act for Fiscal Years 1988 and 1989 contained a provision (section 111(d)) which prohibited the Army from proceeding with procurement of the Forward Area Air Defense System (FAADS) until the Department certified that it met Army requirements and certain studies had been conducted. The Department of Defense Appropriations Act, 1988, waived all restrictions on procurement of the system.

The committee notes that the Army appears to be repeating the mistakes made during the earlier Division Air Defense (DIVAD) system and believes the Army should conduct realistic operational tests before procuring the FAADS system. The committee recommends a modified provision (section 903(c)(2)) which requires the Secretary to certify that the FAADS system has undergone sufficient operational testing to justify initial low rate procurement of the FAADS system.

A-6F Aircraft.—The National Defense Authorization Act for Fiscal Years 1988 and 1989 contained a provision (section (111(e)) which prohibited the Navy from procuring A-6 aircraft in the so-called "F" model configuration. The Appropriations Act waived that section. The committee recommends a provision (section 903(c)(3)) which restates the prohibition on procuring the "F" model A-6 with any appropriated funds. The committee notes again that the Navy cannot afford to procure vulnerable aircraft at inefficient production rates during a period of declining budgetary resources.

M60 Modifications and M1 Procurement.—The Department of Defense Appropriations Act, 1988, provided $90.0 million in excess of the authorized level to expand the program for modifying existing M60 tanks. Subsequent to passage of the continuing resolution, the Army conducted a comprehensive analysis of the armor-antiarmor balance and concluded that it was not cost-effective to modify existing M60 tanks. The Army has decided to expand procurement of M1 tanks, to include the National Guard. Consequently, the committee recommends a provision (section 903(c)(4)) that the $90.0 million appropriated to modify M60 tanks may be used only to procure or modify M1 tanks.

Section 903 also includes a provision (section 903(e)) which makes available immediately for transfer $233.8 million from the four denied programs to the operation and maintenance accounts of the Army, Navy and Air Force to be used to mitigate furloughs and separations of experienced civilian employees of the Department of Defense. Those funds may be utilized immediately, but the committee directs that the Department notify the Congress of the transfer within 14 days of the transfer.

While the committee has approved 97 percent of the total unauthorized appropriations through this supplemental authorization, the committee emphasizes that the Department of Defense may recommend transferring funds from any of the other programs, projects and activities that were originally appropriated in excess of the authorized amounts. The committee does not believe these programs should be exempted from consideration as potential sources for transferring funds to cover "must pay" bills. The committee expects the Department to proceed with transfers from those programs through the normal reprogramming process.

Finally, section 903(f) repeals section 8098 and 8140 of the Department of Defense Appropriations Act, 1988. These two provisions are described below:

Clean Product Tanker Lease and Charter.—Section 8098 of the Department of Defense Appropriations Act, 1988, waived section 2401 of title 10, and authorized the Navy to enter into agreements to construct and charter up to six clean product tankers of adequate cargo capacity to replace tankers currently in service. The Congress enacted section 2401 of title 10 to avoid lease and charter abuses. The committee specifically considered the proposal to permit a lease and charter of six clean product tankers and found the request of insufficient merit to proceed. Consequently, the committee recommends repeal of section 8098.

Contracts for Overhaul, Repair and Maintenance of Naval Vessels.—Section 7299a of title 10, United States Code, as amended by section 1201 of the Department of Defense Authorization Act, 1987, requires that the Secretary of the Navy, in evaluating bids or proposals for a contract for the overhaul, repair or maintenance of a naval vessel, shall consider the foreseeable costs of moving the vessel and its crew from the homeport to the outside area and from the outside area back to the homeport at the completion of the contract in determining the cost or price of work to be performed in an area outside the area of the homeport of the vessel. Section 8140 of the Department of Defense Appropriations Act, 1988, prohibits the Secretary of the Navy from including these so-called "interport differential" charges as part of any contract for the overhaul, repair or maintenance of any ship on the west coast of the United States.

The committee considered this exemption from interport differential charges for Navy ships on the west coast, and concluded that there should be a uniform policy on this question for all Navy ships. Accordingly, the committee recommends repeal of section 8140 of the Department of Defense Appropriations Act, 1988.

SEC. 904—LIMITATION ON OBLIGATION OF UNAUTHORIZED DEFENSE APPROPRIATIONS

The requirement for Congress to authorize defense programs on an annual basis was established in 1959. The 1959 legislation required annual congressional authorization of appropriations for the procurement of aircraft, missiles, and naval vessels. This requirement, which is codified at 10 U.S.C. 114, has been amended and expanded since 1959, so that now virtually the entire defense budget requires annual authorization. As a result, Congress has enacted a defense authorization bill every year since 1961.

Section 114(a) of title 10 states that "No funds may be appropriated for any fiscal year to or for the use of any armed force or obligated or expended for procurement . . . research, development, test or evaluation . . . military construction . . . the operation and maintenance of any armed forces or of the activities and agences of the Department of Defense . . . unless funds therefor have been specifically authorized by law." The same requirement for annual authorization exists for defense manpower strengths. This section of title 10 clearly requires authorization of defense appropriations separate and distinct from the annual defense appropriations act.

In recent years, the annual defense appropriations acts have provided appropriations in excess of the levels authorized by the annual authorization acts for many accounts and for many programs, projects, and activities. The uncertainty caused by appropriations in excess of authorizations has created problems and delays in the execution of defense programs.

To resolve the ambiguity concerning the ability of the Defense Department to obligate funds appropriated in excess of authorized levels, the committee recommends amendments in this bill and by separate legislation to section 114 of title 10 which clarify the authority of the Department of Defense to use appropriations to enter into obligations. In summary, under this provision a defense appropriation would not be available for obligation unless such obligations were authorized by law, either at the account level or at a legal subdivision of an account. The provision would also restate the requirement for authorization of defense appropriations presently contained in section 114(a) of title 10, United States Code, to make clear that the requirement for authorization of defense appropriations is separate and distinct from the requirement of authorization to obligate defense appropriations.

Section 904 would create a new chapter 9 within subtitle A of title 10, U.S. Code, and would include the following new sections:

Section 211 would define an unauthorized defense appropriation as an appropriation made without having been authorized by law as required under section 114(a) of title 10, United States Code, and provide that an unauthorized defense appropriation may be obligated only to the extent that the obligation of such appropriation is specifically authorized by law after the enactment of such appropriation.

Section 212 would require the Secretary of Defense, in determining the amount of a defense appropriation that is available for obligation, to exclude the amount of any appropriation made for unauthorized programs, projects or activities. The Secretary would be required to make such determination on a one-time basis immediately upon enactment of an appropriation (or the enactment of an authorization, if later). The Comptroller General would be required to review and report to the Congress on the determination of the Secretary of Defense.

Section 213 would provide a contingent authorization for appropriations for civilian pay, operation and maintenance activities, and continuing research, development, test, and evaluation activities to preclude a lapse in operations in the event that an annual authorization is not enacted by the first day of the fiscal year. The amount of the contingent authorization would be limited to the least of:

1. the amount appropriated;
2. the amount appropriated for the previous fiscal year; or

3. the amount requested in the President's budget for the fiscal year.

Section 214 would provide that the authority to obligate permanent appropriations and trust funds is not affected by this legislation.

Section 215 would provide that the Impoundment Control Act of 1974 does not apply to unauthorized defense appropriations. The inclusion of this provision would make clear that the requirement for authorization supersedes the requirement under the Budget Act that appropriated funds be promptly obligated unless a deferral or rescission message is transmitted.

Section 216 would provide that nothing in chapter 9 as added is to be considered to affect application of section 502 of the National Security Act of 1947 (section 414 of title 50).

Section 217 would provide that the requirement for authorization would not be superseded unless a subsequent provision does so by specifically referring to this section and stating that the provision supersedes this section.

Section 218 would define a defense appropriation as an amount appropriated or otherwise made available by Congress in an appropriations act for one of the following purposes:

1. Procurement;
2. Research, development, test, or evaluation (or acquisition or production related thereto);
3. Operation and maintenance;
4. A working capital fund established under section 2208 of title 10, United States Code; and
5. Military construction.

SEC. 911—SENSE OF CONGRESS ON EXPANDING CONFIDENCE-BUILDING MEASURES

Nearly two years have passed since the United States joined with other members attending the Conference on Confidence- and Security-Building Measures and Disarmament in Europe (CDE) and agreed to a set of procedures designed to increase openness and predictability of military activities in Europe. The so-called Stockholm Agreements provide for notification of military operations and invitations to send observers to military maneuvers involving 17,000 or more troops. Signatory countries are permitted to lodge challenge inspections if they believe maneuvers are under way which should have been announced and opened for observation.

The committee understands that the observations and challenge inspections to date have offered valued insights into the capabilities of the Warsaw Pact forces, as well as contributed to a general lessening of tensions in Europe.

The committee also understands that the Stockholm procedures offer a framework that could be expanded to provide a verification regime for a conventional arms control agreement.

As such, section 911 expresses the sense of the Congress that an expansion of confidence-building measures should enjoy a high priority in the administration's plans to proceed with conventional arms control initiatives in Europe.

SECS. 912 AND 913—DEVELOPMENT OF A COMPREHENSIVE ARMS CONTROL STRATEGY

During its hearings on the Intermediate-range Nuclear Forces (INF) Treaty, the committee received testimony that the treaty was effectively verifiable, which was described as high confidence that a militarily significant violation would be detected. In this regard, the committee expressed concern about the Soviet record of noncompliance with its past and current arms control commitments. As a result, the committee recommended in its report entitled "NATO Defense and the INF Treaty" that the administration's annual report to the Congress on Soviet treaty compliance be expanded and that new legislation be drafted to require an additional annual report on arms control strategy. During its consideration of the INF report, the committee agreed that these recommendations would be incorporated in the committee's mark-up of the Fiscal Year 1989 Amended Budget Request.

Section 912 provides for an expansion of the annual Soviet treaty compliance report to include an assessment of the risks posed by Soviet treaty noncompliance to the national security of the United States and its allies; a net assessment of the aggregate military significance of all Soviet noncompliance with its arms control commitments; the compliance policy of the United States; what measures the President is taking to bring the Soviet Union into compliance, as appropriate; and in the event the President should issue two consecutive reports in which he cannot certify full Soviet compliance with all current arms control treaties, the actions necessary to compensate for Soviet noncompliance.

Section 913 requires a new annual report to the Congress by the President setting forth a comprehensive arms control strategy. This shall include overall assessment of the nature and sequence of the administration's future arms control efforts; a comprehensive net assessment of the trends in the military balance, including the effects of arms control; an assessment of the military impact of arms control proposals; an assessment of the impact of proposed sub-ceilings, asymmetries and other forces affecting a treaty or arms control proposal on the military balance; a description of the strategy the United States will use to verify and ensure compliance with proposed arms control treaties; and a description of how the United States will consult with its allies and tailor its force improvement strategy to ensure it can preserve national security with and without arms control.

SEC. 914—ACQUISITION AND CROSS-SERVICING AGREEMENTS WITH ALLIED COUNTRIES

The NATO Mutual Support Act of 1979 (NMSA) was enacted to remedy difficulties that the United States was encountering in exchanging logistical support, supplies and services with its NATO allies. The Act makes it easier for the United States to acquire host nation logistical support and services (for example, rations, billeting, transportation and storage services) by waiving certain provisions of U.S. procurement law, and enables the United States to provide similar services and supplies to its allies through cross-servicing agreements without having to treat each transaction as a foreign military sale case. The NMSA legislation has resulted in more efficient combined exercises and enhanced readiness and sustainability of U.S. and allied forces.

Section 2347(a)(1) of title 10 establishes an annual ceiling of $100 million on acquisitions that the Department of Defense can make under NMSA authority. The Defense Department projects NMSA purchases of between $94–$100 million for fiscal year 1988 and estimates that NMSA use in Europe could increase to at least $130 million over the next few years. Currency rate fluctuations and inflation are important factors contributing to this increase.

In an effort to insure that the United States and its allies enjoy the full benefits of NMSA, the committee recommends an increase in the $100 million ceiling on U.S. acquisitions under NMSA authority to $200 million.

SEC. 915—WAIVER AUTHORITY FOR CERTAIN CHARGES IN CONNECTION WITH CERTAIN SALES TO NATO

The NATO Maintenance and Supply Agency (NAMSA) was formed in 1958 to provide logistics for weapon systems primarily common to several NATO allies. The advantages of centralizing logistics in NAMSA include lower prices for NATO customers (through wider competition, larger buys, and one-time facility costs), interoperable logistics, and quicker turnaround time for U.S. equipment that would otherwise be repaired in the United States.

Section 21(e)(1)(A) of the Arms Export Control Act requires the Department of Defense to add an administrative surcharge to the price of a weapon system that is sold to a foreign country or international organization through Foreign Military Sales (FMS) channels. This surcharge is intended to reimburse the Defense Department for the administrative costs that it incurs in processing the sale. Therefore, if a U.S. manufacturer wins an FMS contract to supply NAMSA with a logistics item, the Defense Department must add the administrative surcharge to the price that NAMSA pays for the item.

The committee believes that this surcharge serves as a disincentive for NATO countries to rely upon NAMSA for logistics. In order to encourage greater cooperation in logistics, it recommends that the Secretary of Defense be authorized to waive the administrative surcharge for FMS sales to NAMSA. This authority could be exercised only for sales that would support weapon systems or projects common to two or more NATO members. Moreover, funds appropriated to the Department of Defense would be used to reimburse the administrative costs that would otherwise be covered by the administrative surcharge.

NATO INTEGRATED BRIGADES OR BATTALIONS

The committee directs the Secretary of Defense to submit a report to the Congress by January 1, 1989, on the potential political and military merits of establishing integrated multinational brigades or battalions within NATO to help perform the border covering force mission in the alliance's central region.

The report will include an assessment of the political and military effects on both deterrence of and defense against a Warsaw

Pact conventional attack of using such integrated multinational brigades or battalions as part of the alliance's border covering force. In preparing the report, it should be assumed that the integrated brigades or battalions would be armed with the same equipment as the national forces of the Corps sector to which the integrated force is assigned, so as to alleviate possible logistical problems and encourage increased interoperability.

TANK BARRIERS

Last year the committee directed the Secretary of Defense to provide a report to the Congress on the status of programs to develop tank barriers and barrier technologies which are nonintrusive in peacetime, but which can be rapidly activated in time of crisis. That status report was to include a survey of technology options and an assessment of their maturity and cost.

The committee is disappointed that the report directed last year has not yet been received, and directs the Secretary of Defense to submit that report to the Congress immediately. In addition, the committee directs the Secretary of Defense to provide to the Congress by October 1, 1988, a second report which describes: (a) how existing tank barrier programs will be operationally utilized as part of NATO's forward defense strategy; (b) the expected effect of such operational use on a Warsaw Pact armored offensive in Central Europe; and (c) any political obstacles which stand in the way of the effective use of those barrier programs in Central Europe.

SEC. 916—REPEAL OF REQUIREMENT RELATING TO PURCHASES OF ANTHRACITE COAL IN FISCAL YEAR 1988

Section 8113 of the Fiscal Year 1988 Defense Appropriations Act requires the Department of Defense to purchase 300,000 short tons of anthracite coal in fiscal year 1988. Currently DOD has a 4-year supply of anthracite coal on hand, and there is no current or foreseeable requirement for the purchase of the additional 300,000 short tons required by this section. The committee believes that the $20 million cost of purchasing this coal is a waste of scarce operation and maintenance resources in light of possible cutbacks in operating tempos and furloughs of civilian personnel in fiscal year 1988. The Committee recommends repeal of section 8113.

SEC. 917—ADVANCE PAYMENT OF ADMINISTRATIVE CLAIMS

Under current law, when military activities cause an injury to persons or property, the maximum that can be paid to the injured party in advance of final settlement is $10,000. When there has been a severe accident (for example, an airplane crash into a populated area), this amount may be insufficient to take care of immediate personal and business expenses. Section 917 increases the amount that may be paid in advance of final settlement to $100,000. This would alleviate hardship to claimants and benefit the government by making it easier for a claimant to mitigate damages.

SEC. 918—COURT OF MILITARY APPEALS RETIREMENT REVISIONS

The Court of Military Appeals, an independent, three-judge civilian court established under Article I of the Constitution, is the highest tribunal in the military justice system. The decisions of the Court, which have a major impact on the discipline of the armed forces and the rights of servicemembers, are subject to appeal in the Supreme Court. Congress has recognized the importance of retirement benefits in attracting quality persons to federal service and in promoting the independence of the judiciary. Separate retirement systems have been established for the federal judiciary and the Tax Court, and the Senate recently approved new retirement programs for the bankruptcy judges and federal magistrates. Section 918 amends the retirement laws to provide a level of compensation appropriate to circumstances of the Court of Military Appeals.

SEC. 919—VOLUNTARY LEGAL ASSISTANCE

The services provide members, dependents, and retirees with legal assistance in civil matters, subject to the availability of resources. From time to time, spouses and retirees have expressed interest in providing legal assistance (as attorneys, clerks, or paralegals) on a voluntary basis, but the acceptance of such services is inhibited by 31 U.S.C. 1342, which generally prohibits the government from accepting voluntary services. Section 919 permits the military departments to accept voluntary services for the legal assistance program. This is similar to the authority for acceptance of voluntary services in the family support program under 10 U.S.C. 1588.

SEC. 920—PURCHASE OF ALCOHOLIC BEVERAGES FOR RESALE ON MILITARY INSTALLATIONS

Section 2488 of title 10, United States Code, provides that alcoholic beverages purchased for resale on a military installation in the United States be made from the most competitive source, price and other factors considered, except that malt beverage and wine purchases for resale on a military installation in the continental United States must be made and accepted from a source of supply within the State in which the installation is located. Section 8081 of the Department of Defense Appropriations Act, 1988, further requires in-State purchase of all alcoholic beverages for resale on military installations located in Alaska and Hawaii.

Revenues from the resale of alcoholic beverages are an important source of revenue for non-appropriated fund support of morale, welfare and recreation programs for military members all over the world. This in-State purchase requirement has reduced competition and raised prices for alcoholic beverages purchased for resale on military installations. The result has been a reduction in revenues from resale of alcoholic beverages on military installations available to support these quality of life programs for military personnel.

To restore this important source of funds for quality of life programs in the military services, the committee recommends a provision (section 920) which would eliminate the requirement for in-

State purchase of alcoholic beverages for resale on military installations. This provision amends section 2488 of title 10 to eliminate the requirement that malt beverage and wine purchases for resale on a military installation be made and accepted from a source of supply within the State in which the installation is located. This provision also repeals section 8081 of the Department of Defense Appropriations Act, 1988.

SEC. 921—AUTHORITY TO LEASE AIRCRAFT FOR FLEET ELECTRONIC WARFARE SUPPORT GROUP ACTIVITIES

The committee notes that the Navy is currently operating ERA-3B and EA-6A aircraft to perform the fleet electronic warfare support group training mission and plans to begin replacing those aircraft through the competitive lease of commercial aircraft in fiscal year 1990. The committee recommends authorizing the Secretary of the Navy to enter into a lease of such replacement commercial aircraft in fiscal year 1989, provided that the lease of such aircraft will cost less than the operation of the same number of existing aircraft and is conducted in accordance with section 2401 of title 10, United States Code.

SEC. 922—SPECIAL OPERATIONS AIRLIFT

For several years, the committee has urged the Department of Defense to strengthen the airlift capability of United States special operations forces. Although these important forces rely upon airlift for the successful performance of many of their missions, they have long suffered from a lack of sufficient airlift.

The fiscal year 1987 Defense Authorization Act directed the Secretary of Defense to submit to the Congress a plan to meet the immediate special operations airlift requirements. The plan prepared by the Secretary of Defense described an inventory of 355 Army and Air Force aircraft that, with the exception of 49 CV-22A aircraft, were to be procured or modified by fiscal year 1992. The committee welcomes this plan as a promising effort to redress the serious shortfall in airlift for special operations forces. It further commends the Secretary of Defense for ensuring that the amended budget request submitted by the President for fiscal year 1989 includes the funding necessary to sustain the airlift plan.

However, because building the airlift capability of special operations forces will require several years, the committee remains concerned over the potential to delay this critical effort. Therefore, it recommends a provision expressing the sense of the Congress that the Five-Year Defense Plan for fiscal years 1990 through 1994 and the separate budget requests for fiscal years 1990, 1991, and 1992 should, at a minimum, include sufficient funds to procure or modify by fiscal year 1992 all of the airlift aircraft specified in the plan submitted by the Secretary of Defense. This provision reiterates the strong interest of the committee in the completion of that plan by fiscal year 1992, even within difficult budgetary limits.

SPECIAL OPERATIONS TARGETING

As part of its continuing effort to strengthen U.S. special operations forces, the committee is interested in the targeting capability of these forces. To learn more about this important capability, the committee directs the Assistant Secretary of Defense for Special Operations and Low Intensity Conflict (or the Secretary of the Army if he is carrying out the duties and responsibilities of the Assistant Secretary) to prepare a report on the targeting capability of U.S. special operations forces.

The report shall address the following questions:

(1) Which civilian officials and military officers are responsible for carrying out and monitoring special operations targeting?

(2) To what extent does special operations targeting involve agencies other than the Department of Defense? How is coordination with those other agencies carried out?

(3) What are the criteria for selecting targets for special operations forces?

(4) How are current advances in technology being applied to special operations targeting capabilities?

(5) How does the current targeting capability of special operations forces affect their ability to carry out their missions in a general war or regional contingency?

(6) In light of the serious intelligence problems revealed by the Grenada operation, what steps have been taken to ensure that special operations forces are supported by sufficient and effective intelligence?

The report prepared by the Assistant Secretary (or the Secretary of the Army) shall be submitted to the Committees on Armed Services of the Senate and House of Representatives not later than November 1, 1988.

SEC. 923—CLOSURE AND REALIGNMENT OF MILITARY INSTALLATIONS

The committee is aware of the severe funding constraints facing the Department of Defense during the next several years, and the potential savings which could be achieved in both manpower and operating expenses through the closure or realignment of defense installations. These savings have been estimated at between $1 billion and $5 billion per year. The committee is also aware of an initiative of the Secretary of Defense to form a bipartisan commission to review the defense installation infrastructure in the United States and recommend closure or realignment candidates. This commission would have the benefit of a parallel effort of the Secretary to examine the Department's overseas installations.

The committee supports these efforts but realizes that without streamlining the existing procedures applicable to base closures, it is very unlikely that any major bases will be closed and any significant savings realized. For this reason, the committee bill includes a provision (section 923) which would provide a one-time waiver of certain procedural requirements regarding those base closure and realignment actions recommended by the commission and approved by the Secretary of Defense. The provision requires an environmental evaluation by the Secretary and provides for concessionary or no cost conveyance of excess federal property to state and local governmental jurisdictions if the property is part of a government-sponsored plan for the economic redevelopment of the closed military installation.

FIBROUS CARBON THERMAL INSULATION

The Department of Defense has asserted that Fibrous Carbon Thermal Insulation is to be of strategic military importance for production of carbon-carbon components used in a number of strategic weapons programs. Consequently, the Department of Commerce, at the request of the Department of Defense, worked with the Coordinating Committee (COCOM) in March 1987 to control the export of the material to proscribed destinations. In December 1987, Fibrous Carbon Thermal Insulation was changed to General License Free World (GFW) status, which still restricts its export to proscribed nations.

Currently, there is a disagreement among officials at the Departments of Defense and Commerce as to the strategic significance of this material, the effectiveness of the controls due to foreign availability, and as to whether the controls disadvantage U.S. companies.

The committee directs the Secretary of Defense to provide to the Committees on Armed Services of the Senate and House of Representatives, within sixty days of the enactment of this Act, an unclassified report, with classified annexes if necessary, detailing the national security basis for the restriction. This report should include any and all correspondence, including interagency memos and cables, and a chronology of events involved in this case. Further, it should include a detailed explanation of the following: the rationale for national security controls on carbon thermal insulating materials as described in Export Commodity Control Number (ECCN) 1734A; an analysis of the sophistication and availability of such material and associated technical data; a comparison of U.S. and United Kingdom licensing requirements for this material both prior to and since the December 13, 1987 extension of GFW status to these items; and any continuing review the Department may be giving to this matter.

DIVISION B—MILITARY CONSTRUCTION AUTHORIZATION

The purpose of Division B is to provide military construction authorization and related authority in support of the military departments during fiscal year 1989. The administration's request is reflected in S. 2314 as introduced by request. This division as approved by the Committee on Armed Services totals $8,636,566 in authorization for appropriations in fiscal year 1989.

These authorizations provide construction in support of the military services, Guard and Reserve components, Defense Agencies, NATO Infrastructure, and military family housing requirements.

A brief summary of the authorizations follows:

	Revised FY89 Request	Senate	
		Change to Request	Senate Authorized
SUMMARY			
TOTAL MILITARY CONSTRUCTION ARMY	895,000	(970)	894,030
TOTAL MILITARY CONSTRUCTION NAVY	1,594,230	(74,895)	1,519,335
TOTAL MILITARY CONSTRUCTION AIR FORCE	1,273,650	(57,850)	1,215,800
TOTAL MILITARY CONSTRUCTION DEFENSE AGENCIE	712,000	(28,650)	683,350
TOTAL ARMY NATIONAL GUARD MILCON	138,300	46,927	185,227
TOTAL AIR NATIONAL GUARD MILCON	147,500	4,288	151,788
TOTAL ARMY RESERVE MILCON	79,900	4,256	84,156
TOTAL NAVY RESERVE MILCON	48,400	16,700	65,100
TOTAL AIR FORCE RESERVE MILCON	58,800	4,800	63,600
NATO INFRASTRUCTURE	502,100	(10,100)	492,000
SUBTOTAL MILITARY CONSTRUCTION	5,449,880	(95,494)	5,354,386
TOTAL FAMILY HOUSING ARMY	1,528,271	(5,000)	1,523,271
TOTAL FAMILY HOUSING NAVY/MARINE CORPS	795,428	21,330	816,758
TOTAL FAMILY HOUSING AIR FORCE	922,966	(3,515)	919,451
TOTAL FAMILY HOUSING DEFENSE AGENCIES	20,700	0	20,700
TOTAL HOMEOWNER'S ASSISTANCE	2,000	0	2,000
SUBTOTAL FAMILY HOUSING	3,269,365	12,815	3,282,180
TOTAL MILCON/FAMILY HOUSING	8,719,245	(82,679)	8,636,566

BACKGROUND

In addressing the Department of Defense military construction request, the Readiness, Sustainability and Support Subcommittee held five hearings and numerous staff meetings and discussions.

In establishing a funding level for the military construction account, the committee was aware of the persistently depressed level of investment in the department's facility infrastructure. A recent Congressionally mandated study of the nation's overall civil facility infrastructure concluded that an annual investment of at least 4.5 percent of the value of the Federal physical plant was needed in order to provide a prudent level of replacement, modernization, and maintenance. The Defense Department's goal has been a minimum annual capital investment of 2 percent, or replacement of facilities every 50 years.

The committee notes that military construction investment has not reached even the 2 percent goal during the last decade, even during the years of rapid expansion in defense spending. The results are a growing backlog of unfunded construction and maintenance requirements. As the major defense installations of the 1940s and 1950s reach the end of their economic life, significant investments will be required not only in buildings, but also in mission critical pavements and utility systems. This problem is not amenable to easy solutions, particularly in a period of fiscal restraint.

COMMITTEE ACTION—FISCAL YEAR 1989

The committee reduced the Defense Department's overall budget request by $82,679,000, less than 1 percent. The majority of this reduction, $60,000,000 resulted from an underfunding of the request by the Department of Defense based upon the assumption that the Congress would raise the threshold of applicability of the Davis Bacon Act. The committee, reflecting the results of previous Congressional action on this proposal, did not include revision of this act in its bill, and was forced to reduce the military construction account accordingly. The committee's action on the Defense Department's request was based upon the following considerations:

—Support of new missions or weapons systems which were already authorized.

—Authorize projects which promise near-term readiness improvements such as air base survivability, and rapid investment amortization.

—Wherever possible, support the priorities of the services, defense agencies, and the unified commanders-in-chief.

—Defer or slow investment in projects supporting new weapons systems which are experiencing development delays.

—Defer further investment in strategic homeports and other projects facing environmental or other delays, or which have had difficulty expending prior year construction funds.

The committee made the following adjustments to the department's fiscal year 1988 military construction request:

PROJECT DELETIONS

State	Inst Name	Project	Revised FY89 Request	------Senate------- Change to Request	Senate Authorized
MILITARY CONSTRUCTION, ARMY					
XALASKA	FT J M WAINWRIGHT	VEHICLE MAINTENANCE FACILITY	9,000	(9,000)	0
XWORLDWIDE VARIOUS	VARIOUS WORLDWIDE LOCATIONS	COMMAND AND CONTROL FACILITY UPGRADE	7,900	(7,900)	0
XHONDURAS	HONDURAS	UPGRADE FACILITIES - SITE 5	3,050	(3,050)	0
XPENNSYLVANIA	NEW CUMBERLAND AD	ENERGY CONSERVATION ALTERATIONS	1,800	(1,800)	0
MILITARY CONSTRUCTION, NAVY					
XCALIFORNIA	NAVAL HOSPITAL SAN DIEGO	REGIONAL MEDICAL CENTER SUPPORT FACILITIES	11,350	(11,350)	0
XDISTRICT OF COLUMBIA	COMMANDANT NAVAL DIST WASHINGTON	ADMINISTRATIVE OFFICE MODERNIZATION	10,000	(10,000)	0
XCALIFORNIA	NAVAL AIR STATION NORTH ISLAND	MAINTENANCE HANGAR	5,710	(5,710)	0
XFLORIDA	NAVAL AV DEPOT JACKSONVILLE	AIRCRAFT ENGINE PROCESSING FACILITY	14,180	(14,180)	0
XGUAM	NAVAL STATION GUAM	ROAD IMPROVEMENTS	2,820	(2,820)	0
XWASHINGTON	NAVAL STATION EVERETT	CARRIER SUPPORT COMPLEX (INCREMENT IV)	52,950	(52,950)	0
MILITARY CONSTRUCTION, AIR FORCE					
XOVERSEAS CLASSIFIED	BASE 74	F16-HYDRAZINE FACILITY	260	(260)	0
XPHILIPPINES	CLARK AB	FLOW THRU SHELTERS-PHASE I	4,200	(4,200)	0
XOVERSEAS CLASSIFIED	BASE 118	F16-FLIGHT SIMULATOR TRAINING FACILITY	2,050	(2,050)	0
XOVERSEAS CLASSIFIED	BASE 74	F16-EGRESS SHOP	490	(490)	0
XCALIFORNIA	VANDENBERG AFB	TITAN IV LAUNCH PAD	26,000	(26,000)	0
XUNITED KINGDOM	RAF BENTWATERS	CENTRAL POST OFFICE	800	(800)	0
MILITARY CONSTRUCTION, DEFENSE AGENCIES					
XDISTRICT OF COLUMBIA	ANACOSTIA NAVAL STATION	WHCA SUPPORT COMPLEX	26,200	(26,200)	0
XCONUS CLASSIFIED	CLASSIFIED LOCATION	CLASSIFIED PROJECT, NSA	20,000	(20,000)	0

PROJECT ADDITIONS

State	Inst Name	Project	Revised FY89 Request	------Senate------- Change to Request	Senate Authorized
MILITARY CONSTRUCTION, ARMY					
XILLINOIS	FORT SHERIDAN	ALTER DINING FACILITY		880	880
XILLINOIS	FORT SHERIDAN	CHILD CARE		2,400	2,400
XILLINOIS	ROCK ISLAND ARSENAL	MODIFICATION, PHASE IV		10,000	10,000
XHAWAII	SCHOFIELD BARRACKS	NCO ACADEMY		8,500	8,500
MILITARY CONSTRUCTION, NAVY					
XPENNSYLVANIA	NAVY SHIP CENTER PHILADELPHIA	WATER DISTRIBUTION SYSTEM PHASE II		8,200	8,200
XMISSISSIPPI	SUPERVISOR SHIPBLDG, PASCAGOULA	BEQ REHABILITATION		6,000	6,000
XTENNESSEE	NAS MEMPHIS	TRAINING FACILITY		10,090	10,090
MILITARY CONSTRUCTION, AIR FORCE					
XNEW HAMPSHIRE	PEASE AFB	ENERGY PLANT CONVERSION		500	500
XMICHIGAN	WURTSMITH AFB	HEAT PLANT		5,700	5,700
XNEW HAMPSHIRE	PEASE AFB	ALTER ELECTRICAL SYSTEM		8,850	8,850
XOKLAHOMA	ALTUS AFB	LAND ACQUISITION		2,300	2,300
XGEORGIA	ROBINS AFB	WEAPON SYSTEM SUPPORT CENTER		12,600	12,600
MILITARY CONSTRUCTION, DEFENSE AGENCIES					
XGEORGIA	ROBINS AFB	OCCUPATIONAL HEALTH CARE CLINIC REPLACEMENT		3,600	3,600
XNEW MEXICO	KIRTLAND	DENTAL CLINIC		2,550	2,550
XMARYLAND	FORT MEADE	DEFENSE ACCESS ROAD		12,000	12,000
MILITARY CONSTRUCTION, ARMY NATIONAL GUARD					
XALASKA	FORT RICHARDSON	ARMORY		25,000	25,000
XGEORGIA	METTER	ARMORY		823	823
XILLINOIS	URBANA	ARMORY		800	800
XMICHIGAN	YPSILANTI	ARMORY COMPLEX		3,091	3,091
XMISSISSIPPI	CAMP SHELBY	TRAINING AREA FACILITY		9,500	9,500
XNEW HAMPSHIRE	CONCORD	OMS ADDITION		344	344
XNEW MEXICO	GRANTS	ARMORY		800	800
XNEW MEXICO	TUCUMCARI	ARMORY		807	807
XNEW MEXICO	CENTRAL	ARMORY		1,070	1,070
XNEW MEXICO	SANTA ROSA	ARMORY		800	800
XOHIO	MCCONNELSVILLE	TRAINING SITE		914	914
XOHIO	MCCONNELSVILLE	OMS SHOP		1,163	1,163
XTENNESSEE	TRENTON	ARMORY		1,500	1,500
XWEST VIRGINIA	BUCKHANNON	PROPERTY OFFICE ADDITION		325	325
MILITARY CONSTRUCTION, AIR NATIONAL GUARD					
XMISSISSIPPI	KEY FIELD	MEDICAL ADMINISTRATION		1,000	1,000
XWEST VIRGINIA	E WV REGIONAL APT (MARTINSBURG)	ALT VEHICLE MAINTENANCE		200	200
XMAINE	SOUTH PORTLAND AF STATION	COMM/ELECTRONIC TRAINING FACILITY		988	988
XMISSISSIPPI	KEY FIELD	CE FACILITY		1,450	1,450

PROJECT ADDITIONS

State	Inst Name	Project	Revised FY89 Request	------Senate------- Change to Request	Senate Authorized
MILITARY CONSTRUCTION, ARMY RESERVE					
XNEW HAMPSHIRE	CONCORD	LAND ACQUISITION		150	150
XNEW HAMPSHIRE	LACONIA	LAND ACQUISITION		350	350
XNEW HAMPSHIRE	MANCHESTER	HARDSTAND		125	125
XWEST VIRGINIA	PARKERSBURG	RESERVE CENTER		3,306	3,306
XWEST VIRGINIA	MORGANTOWN	LAND ACQUISITION		150	150
XWEST VIRGINIA	BECKLEY	LAND ACQUISITION		175	175
MILITARY CONSTRUCTION, NAVY RESERVE					
XILLINOIS	NAS GLENVIEW	BEQ		4,900	4,900
XNEW HAMPSHIRE	MANCHESTER	RESERVE CENTER		5,300	5,300
XMISSISSIPPI	GULFPORT	SEABEE CENTER		6,600	6,600
MILITARY CONSTRUCTION, AIR FORCE RESERVE					
XINDIANA	GRISSOM AFB	A-10 FACILITY		4,800	4,800
FAMILY HOUSING, NAVY					
XILLINOIS	NAS GLENVIEW	FAMILY HOUSING		23,000	23,000
XDISTRICT OF COLUMBIA	NAVAL DISTRICT WASHINGTON	NEW CONSTRUCTION (2)		330	330

PROJECT CHANGES

State	Inst Name	Project	Revised FY89 Request	------Senate------- Change to Request	Senate Authorized
MILITARY CONSTRUCTION, ARMY					
XVIRGINIA	FORT A P HILL	UTILITIES AND TRAINING FACILITY UPGRADE	5,900	4,000	9,900
XWORLDWIDE UNSPECIFIED	UNSPECIFIED WORLDWIDE LOCATIONS	PLANNING AND DESIGN	98,328	(5,000)	93,328
MILITARY CONSTRUCTION, NAVY					
XITALY	NAVAL SUPPORT ACTIVITY NAPLES	CMD CTRL COMMS & INTEL COMPLEX (PHASE II)	21,600	(19,400)	2,200
XMISSISSIPPI	NAVAL STATION PASCAGOULA	SHIP SUPPORT PHASE II	17,520	8,180	25,700
XWORLDWIDE UNSPECIFIED	UNSPECIFIED WORLDWIDE LOCATIONS	PLANNING AND DESIGN	148,276	(10,000)	138,276
XTEXAS	NAVAL STATION GALVESTON	SHIP SUPPORT PHASE II	8,110	6,390	14,500
XALABAMA	NAVAL STATION MOBILE	HOMEPORT	8,345	11,355	19,700
XLOUISIANA	NAVAL STATION LAKE CHARLES	SHIP SUPPORT PHASE II	3,700	1,300	5,000
MILITARY CONSTRUCTION, AIR FORCE					
XWORLDWIDE UNSPECIFIED	UNSPECIFIED WORLDWIDE LOCATIONS	PLANNING AND DESIGN	124,800	(5,000)	119,800
XMISSOURI	WHITEMAN AFB	ATB BEDDOWN-UNDISTRIBUTED REDUCTION		(50,000)	(50,000)
MILITARY CONSTRUCTION, DEFENSE AGENCIES					
XOVERSEAS CLASSIFIED	OVERSEA	MEDICAL SUPPORT	12,600	(1,600)	11,000
MILITARY CONSTRUCTION, AIR NATIONAL GUARD					
XWORLDWIDE UNSPECIFIED	UNSPECIFIED WORLDWIDE LOCATIONS	PLANNING AND DESIGN	12,600	650	13,250
NATO INFRASTRUCTURE					
XWORLDWIDE UNSPECIFIED	OSD MILCON	NATO INFRASTRUCTURE	502,100	(10,100)	492,000
FAMILY HOUSING ARMY					
XWORLDWIDE UNSPECIFIED	UNSPECIFIED WORLDWIDE LOCATIONS	FURNISHINGS ACCOUNT	139,769	(5,000)	134,769
FAMILY HOUSING NAVY					
XWORLDWIDE UNSPECIFIED	UNSPECIFIED WORLDWIDE LOCATIONS	MAINTENANCE OF REAL PROPERTY	241,950	(2,000)	239,950
FAMILY HOUSING AIR FORCE					
XWORLDWIDE UNSPECIFIED	UNSPECIFIED WORLDWIDE LOCATIONS	FURNISHINGS ACCOUNT	56,460	(3,000)	53,460
XWORLDWIDE UNSPECIFIED	UNSPECIFIED WORLDWIDE LOCATIONS	CONSTRUCTION IMPROVEMENTS	154,280	(515)	153,765

STRATEGIC HOMEPORTING

The Navy's Strategic Homeporting program is an ambitious initiative which includes several important features including: dispersal of the fleet, reduction of crowding at the principal existing home ports, and the use of community investment to offset the capital costs.

While this program has been the subject of considerable debate, the committee has supported the plan in light of these factors. With the Amended Fiscal Year 1989 Budget request which calls for the retirement of sixteen frigates, the force reductions likely to be mandated in the fiscal year 1990–1994 Five Year Defense Plan, and the Defense Department initiative to review the overall Department installation structure, the committee believes that further investment at those homeports which have experienced problems in program execution should be held in abeyance. On the other hand, the committee believes that the development of the remaining strategic homeports ought to proceed as quickly as possible.

For these reasons, the committee restored the fiscal year 1989 construction funding at Mobile, AL; Lake Charles, LA; Pascagoula, MS; and Galveston, TX; to the levels authorized in the National Defense Authorization Act for Fiscal Year 1988 and 1989. All Navy construction for the new homeports at San Francisco, CA, and Everett, WA has been deferred until pending environmental concerns have been resolved and the committee has an opportunity to review the Navy's force structure supported by the Fiscal Year 1990–1994 Five Year Defense Plan.

PORTSMOUTH NAVAL SHIP YARD

In section 2202 of the bill, $2.0 million of the Navy's planning and design authorization was designated to complete the design of the Portsmouth Naval Shipyard modernization projects to the minimum level necessary for funding (35 percent).

In the National Defense Authorization Act for Fiscal Years 1988 and 1989, the Department of Defense was directed to begin design work of the modernization and cover for Dry Dock #2. It is the committee's understanding that the design work has not begun. The direction in this bill is made to reinforce the intent of Congress and to permit the completion of design and construction funding of these projects in the Fiscal Year 1990/91 Budget Request.

ACQUISITION OF WHERRY UNITS AT NAVAL AIR STATION GLENVIEW, ILLINOIS

This provision will allow the Navy to acquire the remainder of the lease terms involving 38 acres of land and 264 family housing units under an outlease agreement with private parties at Johnson Court in Glenview, Illinois. The units were constructed in the early 1950's under the authority of Title VIII of the National Housing Act, as amended (Public Laws 81-211 and 81-498). The units are small and in poor condition with continued deterioration expected under the lease. In that there is no other available land for family housing in the Glenview area, acquisition of the remainder of the lease terms is require to provide a side for the construction of the 260 new units authorized in this bill.

SENIOR OFFICER HOUSING

The committee reduced the family housing improvement request for the Air Force by $515,000. This sum was requested to expand and renovate one family housing unit at Bolling Air Force Base for the Chief of Staff of the Air Force. This project would enable the Vice Chairman of the Joint Chiefs of Staff to occupy the residence on Fort Myer currently occupied by the Air Force Chief of Staff. The committee believes there may be more cost effective alternatives to providing the Vice Chairman suitable quarters.

BROOKE ARMY MEDICAL CENTER

The Fiscal Year 1986 Military Construction Authorization Act (Public Law 99-167) authorized $135 million for construction of a replacement for Brooke Army Medical Center (BMAC) at Fort Sam Houston, Texas with space for 450 beds, but with initial construction of only 200 beds. The facility was to be designed to accommodate efficient expansion to its full 450 beds if required in the future.

Section 2818 of the National Defense Authorization Act for Fiscal Years 1988 and 1989, (Public Law 100-180) increased the total project authorization for the 200 bed facility to $241 million. Because the project was still in early stages of design with no firm basis for a firm cost estimate, and because the conferees had continuing concerns regarding the relative costs of a 200 bed facility versus a 450 bed facility, the Secretary of Defense was directed to provide the Committees on Armed Services of the Senate and the House of Representatives reports of updated cost estimates of these alternatives as well as the other costs associated with the transfer of functions to Wilford Hall Medical Center at Lackland Air Force Base, Texas.

The conclusions of these reports and subsequent analysis have led the Assistant Secretary of Defense for Health Affairs to conclude that initial construction of a 450 bed replacement hospital at BAMC is the most cost effective way of meeting the current medical mission. While the final cost estimate is still being developed, it appears to be approximately $275 million. The Secretary, however, has directed that the design team attempt to meet all functional goals at the lowest possible cost.

In light of these conclusions, the committee has amended the scope of this project to a 450 bed facility, and increased the project authorization to $275 million. In making these changes, the committee intends that this increased authorization not adversely impact other priority military medical facility initiatives in the United States. Further, the committee fully supports the Department of Defense's goal of designing and constructing this hospital in the most efficient and cost effective manner.

AUTHORITY TO COST SHARE CONSTRUCTION OF AFCENT DEPENDENT SCHOOL

The United States is one of four NATO nations whose military dependents attend an international school associated with Headquarters, Allied Forces Central Command (AFCENT) located at Brunssum, The Netherlands. The school is jointly staffed and operated by the four participating nations with the cost share determined by the enrollment of each nation's students. At the present time the U.S. share is 54.65 percent (920 students of a total enrollment of 1,680).

Section 2404 authorizes the Department of Defense to provide a proportionate share for a new elementary and high school. The new facilities will replace pre-engineered facilities which have exceeded their normal lifespan and which do not meet current educational or safety standards.

RESITING OF OVERSEAS CONTINGENCY MEDICAL FACILITY

In the National Defense Authorization Act for Fiscal Years 1988 and 1989, the Department of Defense was authorized to construct a Second Echelon Medical Logistics Storage Facility valued at $740,000 at Royal Air Force Wethersfield, United Kingdom. Because of other mission realignments, this site is no longer operationally suitable. At the Department's request, the committee has amended last year's authorization to permit construction at the appropriate site, Royal Air Force Boscombe Downs, United Kingdom. There is no change in the project authorization.

AIR NATIONAL GUARD DESIGN FUNDS

The committee increased the Air National Guard's planning and design authorization by $650,000 in order to accommodate the design of the following projects for submission in the fiscal year 1990 budget request:

—Gulfport, MS, Tac Cont Sq Operations Facility;

—Key Field, MS, Aircraft Maintenance Facility;

—Thompson Field, MS, Composite Medical Training/Security Police Operations Building; and

—Thompson Field, MS, Base Civil Engineering Facility.

General Provisions

CHANGE TO LONG-TERM FACILITIES CONTRACT AMORTIZATION

This proposal will increase the maximum period for long-term facility contracts under 10 USC 2809 from twenty to thirty-two years. This change will permit the prospective lessor to fully amortize these projects under current tax codes and provide a lower annual cost to the Department of Defense (DOD).

CHANGE TO THE RENTAL GUARANTY HOUSING PROGRAM

This provision will modify the existing rental guarantee program in three ways to make these projects more attractive to military personnel and contractors, and provide the government more direct control of the maintenance standards and costs. Specifically, the provision will:

> Permit the military services to provide utilities and services to the same extent they are provided to other family housing assets located on government land.
>
> Permit, but not direct, default of the contractor under certain conditions. This flexibility is expected to reduce private financing costs.

Permit the DOD or a separate contractor to perform maintenance and management functions.

AUTHORITY FOR COMMUNITY PLANNING ASSISTANCE

This provision continues to provide community planning assistance authority to the Department of Defense. These funds, to be transferred from planning and design funds authorized and appropriated to the Department, are used to aid communities to plan the accommodation of significant increases in Defense Department personnel associated with the formation of new light infantry divisions at Fort Drum, N.Y., and Forts Wainwright and Richardson, Alaska, and the new or expanded homeports of the Navy's Strategic Homeporting program. These funds are provided only to the extent that other Federal, State or local resources are not available.

REAL ESTATE REPORTING REQUIREMENTS

These provisions will streamline the execution of real estate transactions by the Department of Defense by reducing the number of reports submitted to the Congress under 10 USC 2662 and 2672. In both cases, the Department is precluded from proceeding until a period of thirty or twenty-one days has passed, respectively, or it receives specific approval from the appropriate committees. These provisions will reduce the administrative burden on the Department and the Congress. Increasing the reporting threshold on these actions from $100,000 to $200,000 parallels previous Congressional action to modify the reporting threshold for minor land acquisition contained in the Military Construction Authorization Act, 1986.

TECHNICAL CHANGE TO MILITARY CONSTRUCTION COST VARIATION AUTHORITY

In the National Defense Authorization Act for Fiscal Years 1988 and 1989, section 2312, the criteria for reporting changes in the costs of military construction projects was changed to require reporting under the provisions of 10 USC 2853 only when the cost increase exceeds 125 percent of the value of all projects authorized for a particular installation, or 200 percent of the amount specified by law as the maximum amount for a minor construction project, whichever is less. Section 2806 provides a technical correction to conform all portions of 10 U.S.C. 2853 to this policy.

GOVERNMENT RENTAL HOUSING PROGRAM

The committee has been made aware of a United States Army Europe (USAREUR) test initiative to improve the efficiency and morale of accompanied personnel stationed in Europe. By providing lease management for personnel who live in local communities, the Army has provided landlords with more stable leasing arrangements and provided military personnel with suitable family housing more efficiently and without expensive security and utility deposits. This test program has also eliminated the costly relocation of personnel during their tour when they might otherwise become eligible for on post military housing. Preliminary test results suggest that this arrangement is also cost advantageous to the government and may provide the basis for identifying a larger stock of suitable family housing for military families.

In order to pursue this initiative in the coming year, the committee has amended 10 U.S.C. 2828 to provide the Department of Defense an additional lease authority for 2,000 family housing units. The committee also increased the total Army overseas lease authorization for fiscal year 1989 by $8,090,000. This allocation does not increase the Army's overall authorization for family housing operations.

COMMUNITY IMPACT PLANNING ASSISTANCE

The committee has amended 10 U.S.C. 2391 to expand the scope of the Department of Defense's activities in the area of community impact planning assistance. The current authority is expanded to include assistance, where deemed necessary by the Secretary of Defense, to communities significantly impacted by long term reductions of civilian personnel employment and to communities whose development poses a significant encroachment problem to Defense installations. The Department continues to be limited by statute to $2,000,000 annual authorization under this provision.

NAVY NATIONAL CAPITAL REGION LEASE SOLICITATION

Section 2809 directs the Secretary of the Navy in coordination with the General Services Administration, to issue a solicitation for proposals for the provision of administrative space to support Navy activities in the National Capital Region. The committee is aware that the Navy has not proceeded with the solicitation referenced in a January 1988 notification to Congress.

The committee approved the issuance of this solicitation in recognition of the facility needs of the Service. Without the data from a solicitation response, analysis of other financing approaches, and a Department of Defense report of overall facility requirements in the National Capital Region, the committee will not be in a position to authorize implementation of a solution to a serious problem. The committee notes that the Department of Defense has not yet provided the Congress the report on its plans for the National Capital Region. This report was mandated in the Conference Report accompanying the National Defense Authorization Act for Fiscal Years 1988 and 1989 for submission no later than December 15, 1987.

LAND EXCHANGE, SAN DIEGO

Section 2901 provides the Secretary of the Navy the authority to enter into a value-for-value land exchange in order to acquire approximately 32 acres of land adjacent to the Naval Station, San Diego, California. This acquisition will permit the Navy to fully develop the naval station's waterfront property and dispose of land which is not required for the station's mission.

FLOOD CONTROL IMPROVEMENTS, ORANGE COUNTY, CALIFORNIA

Section 2902 provides the Secretary of the Navy the authority to provide an easement on a portion of Marine Corps Air Station, El Toro, for the purpose of permitting Orange County, CA, to construct a flood control project. In addition to receiving the benefit of the flood control improvements, the Navy would receive title to approximately 1.5 acres of land adjacent to the Marine Corps Air Station, Tustin.

LAND TRANSFER, SUITLAND, MARYLAND

Section 2903 would authorize and direct the transfer without reimbursement of property at Suitland, Maryland, from the General Services Administration to the Navy, for the construction of a new Naval Intelligence Center Command Building. The Administrator and the Secretary of the Navy would jointly determine the acreage and location of the land required to meet this requirement.

FORT JACKSON, SOUTH CAROLINA

Section 840 of the Military Construction Authorization Act of 1986 authorized the sale of real estate on Fort Jackson, South Carolina, in consideration of facility construction which would be built on or near the post. Subsequently, 14.06 additional acres of land at Fort Jackson have been identified as excess to the needs of the post. Section 2904 authorizes the Secretary of the Army to sell the excess land and apply the proceeds toward the Consolidated Maintenance Facility currently under design for Fort Jackson. The Secretary of the Army is directed to program the balance of the cost for this facility in the Fiscal Year 1990 Military Construction Request.

WALTER REED ARMY MEDICAL CENTER

The committee notes that the capacity of the Walter Reed Army Medical Center to support patient and staff parking needs is severely limited. This situation materially affects the access which patients have to the Center's medical care. In order to address this situation, the committee directs the Secretary of the Army to analyze this situation and commence design of a new or expanded parking garage at the Center for submission in the fiscal year 1990 budget request.

NELLIS AIR FORCE BASE HOSPITAL REPLACEMENT

The committee is aware that the Department of the Air Force and the Veterans Administration are currently planning the construction and operation of a jointly funded and operated hospital at Nellis Air Force Base, Nevada. Design is expected to be mature enough to permit the project's inclusion in the fiscal year 1990 budget request for each agency.

The committee strongly supports this initiative. The project responds to accute needs for a replacement facility for the existing Air Force hospital at Nellis AFB, and the total lack of any inpatient care facility for veterans in the Las Vegas area. In submitting this project for construction authorization next year, the committee requests that the Secretary of the Defense include details of the memorandum of agreement between the Department and the Veterans Administration for the sharing of the staffing and operating costs of this joint facility.

NATIONAL GUARD AND RESERVE FORCES IN NORTH DAKOTA

In the Report accompanying the National Defense Authorization Act for Fiscal Years 1988 and 1989, the conferees directed the Secretary of the Air Force to establish an Air National Guard mission support unit of approximately 300 personnel at Minot Air Force Base, North Dakota. The Department of Defense has accommodated this guidance through the planned activation of a number of Army and Air National Guard units.

The committee has become aware that with the identification of the new units for the Minot area, there is an opportunity to consolidate the new and existing Reserve and National Guard units into an Armed Forces Reserve Center at Minot. This facility offers the financial advantages of vacating leased facilities and reducing overhead, and the operational advantage of joint training among units of three reserve components. The committee supports this approach and directs the National Guard Bureau and the Army Reserve to immediately commence design of this project using authorized planning and design funds.

RESERVE COMPONENT FIELD TRAINING SITES

The committee is aware of a number of initiatives to enhance the field training opportunities for the Air Reserve Force tactical forces. The committee has supported, in recent years, the modernization of Air National Guard field training sites at Tucson International Airport, Arizona; Savannah Airport, Georgia; and Phelps Collins Airport, Michigan, among others. Because of the critical contingency missions supported by the Air Force Reserve and Air National Guard tactical forces, they require realistic training throughout the year.

In order to understand Air Force Reserve and Air National Guard plans for the support, modernization, and possible expansion of the system of field training sites, the Secretary of Defense is directed to submit, as part of the fiscal year 1990–1991 budget submission, a report on the Reserve Components' five year plan for field training site development. The committee is aware of two particular initiatives which, among others, should be addressed in this report: a joint operations area at Fort Huachuca, Arizona, and redevelopment of the former Walker Air Force Base, New Mexico as a permanent field training site for active and reserve force units. The committee is aware that the former air base offers many attractive features including runway capable of supporting high performance jet aircraft, near ideal flying weather, and nearby restricted airspace and weapons ranges. To the extent that operational requirements justify and resources are available, the committee encourages the Reserve Components, in consultation with the active Air Force, to commence facility design on associated construction so that it can be considered in the fiscal year 1990–1991 biennial budget request.

COLD REGIONS RESEARCH AND ENGINEERING LABORATORY CHILD CARE CENTER

It has come to the attention of the committee that the U.S. Army Cold Regions Research and Engineering Laboratory (CRREL) in

Hanover, New Hampshire has been unable to meet the child care needs of its work force. Given the limitations of local child care availability, construction of a child care facility at the laboratory is the only apparent alternative. Therefore the committee directs the Secretary of the Army to use $250 thousand of minor construction funds to construct a child care center at the Cold Regions Research and Engineering Laboratory.

COMMUNICATIONS SYSTEMS LABORATORY, CHARLESTON, SOUTH CAROLINA

The Naval Electronics Systems Engineering Center (NAVELEXCEN) is located in Charleston, S.C. This important activity provides engineering support for several communications and intelligence related programs. Current testing is conducted in a World War II era converted warehouse that is substandard. The result is that equipment is often damaged, requiring costly replacement or repair. In an effort to expedite construction of a new Communications Systems Laboratory, the committee directs the Navy to initiate design of this facility and include it in the fiscal year 1990 Military Construction request.

DIVISION C—OTHER NATIONAL DEFENSE AUTHORIZATIONS

TITLE XXXI—DEPARTMENT OF ENERGY NATIONAL SECURITY PROGRAMS

ENVIRONMENTAL RESTORATION OF DEPARMENT OF ENERGY DEFENSE FACILITIES

The Defense Waste and Environmental Restoration Program (DWER) is responsible for storing, transporting, processing and disposing of radioactive and hazardous waste resulting from Department of Energy (DOE) nuclear materials production. The Department of Energy is regulated in this area by the Environmental Protection Agency and the states. The requirements for remedial action are derived primarily from the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), the Superfund Amendments and Reauthorization Act of 1986 (SARA), and section 3004(u) of the Resource Conservation and Recovery Act as amended (RCRA).

At the request of the Congress, the Department of Energy consolidated management of all Defense Programs environmental remedial actions under the DWER in fiscal year 1988. Although the fiscal year 1989 funding request for this program represents a substantial increase (24 percent) over the fiscal year 1988 appropriation, the total amount devoted to environmental restoration activities is miniscule compared to the magnitude of the problem. The damage to the environment at DOE defense facilities has occurred over the last forty years, most of it at a time when such practices were regulated much less strictly than they are today. The cost for remedial action of environmental contamination resulting from past practices is anticipated to be a significant mortgage for future years.

The Department plans to submit to the Congress in July 1988 a report addressing the planned environment, safety, and health activities, and annual funding requirements for the Department's defense facilities. The total funding requirements to complete all necessary remedial actions may be more than $50 billion. Comparable remedial actions at Department of Defense facilities are estimated to have a total cost of $20 billion for which the Department of Defense has requested authorization of $500 million in fiscal year 1989 for its Defense Environmental Restoration Account.

The committee believes that environmental restoration activities at the Department of Energy are at least as high a priority as those of the Department of Defense. Yet the authorization request for Department of Energy environmental restoration activities for fiscal year 1989 is only $120 million. Consequently, the committee recommends an additional authorization of $50 million for environmental restoration activities for fiscal year 1989. This additional funding recommendation is intended to emphasize the importance the committee attaches to cleaning up Deparment of Energy defense facilities in accordance with applicable statutes and regulations.

FUNDING CONSISTENT WITH MODERNIZATION OF THE NUCLEAR WEAPONS COMPLEX

The 1989 budget request for defense activities of the Department of Energy includes construction funding requests for upgrading and improving a number of Department of Energy defense facilities. Illustrative examples are the initial request of $1 million for construction of a cooling tower for the K reactor at Savannah River (project 89-D-142, reactor effluent cooling water thermal mitigation, Savannah River, South Carolina) and $18 million for improvements at Rocky Flats (project 89-D-125, plutonium recovery modification project, Building 371, Rocky Flats Plant, Golden Colorado). These funding requests represent only a small fraction of the anticipated total project cost for these two projects. The fiscal year 1989 budget request contains other projects for which initial funding has been requested.

The committee believes that such funding requests should be consistent with the Department of Energy's overall plan for modernization of the nuclear weapons complex. Section 3132 of the National Defense Authorization Act for Fiscal Years 1988 and 1989 requires the Department to submit a report on the modernization of the nuclear weapons complex, the so-called "2010 Study," by December 15, 1988. This report is intended to provide a roadmap for the modernization of the aging and fragile materials production complex. In testimony before the committee, the Department indicated that the strategy for modernizing the complex may be based on a consolidation of the existing facilities into "parks" devoted to a particular nuclear material. The implementation of this plan will likely cost tens of billions of dollars.

The committee directs the Secretary to ensure that all budget requests for fiscal year 1989 are consistent with the Department's plan for modernization of the complex as presented to the Congress in the report required by section 3132 of the Fiscal Years 1988 and 1989 National Defense Authorization Act. The committee further directs the Secretary to identify to the committee any funding requests that might be inconsistent with the modernization of the nuclear weapons complex. An interim report shall be provided to the Committees on Armed Services of the Senate and House of Representatives no later than July 1, 1988 and a final report shall be provided to the same committees by December 31, 1988.

THERMAL MITIGATION PROJECT

The administration's budget request included initial funding of $1 million for construction of a recirculating thermal mitigation cooling tower for the K reactor at the Savannah River Plant (project 89-D-142). This project will require $106 million and 51 months for design and construction.

The committee questions the expenditure of this large amount of money for a production reactor that will have limited life remaining after availability of the cooling tower. For this reason, the committee recommends a provision (section 3103(d)) that would authorize funds for the K reactor cooling tower only if the project were designed and constructed with future applicability to a new production reactor.

PLUTONIUM RECOVERY MODIFICATION PROJECT

The President's budget request included initial construction funding ($18 million) to begin renovation of a plutonium recovery facility at Rocky Flats (Project 89-D-125, plutonium recovery modification project, Rocky Flats Plant, Golden, Colorado). The Department of Energy (DOE) is proposing the expenditure of $370,800,000 over the next nine years, ending in fiscal year 1997, for this renovation project.

The facility in question, known as Building 371, was completed in March 1981 at a total cost of $215 million, $102 million more than the original budget estimate. Building 371 was initially designed to replace old processing systems in Buildings 771 and 776 at Rocky Flats.

However, because of faulty design and construction work, Building 371 is unable to perform its recovery mission. Modification of Building 371 is necessary to establish new recovery capacity to permit it to retire, in the near future, the old processing systems in Buildings 771 and 776. An effective recovery program potentially eases the demand placed on DOE's old production reactors to produce new plutonium.

The National Defense Authorization Act for Fiscal Years 1988 and 1989 required the President to submit to the Congress by December 15, 1988, a plan for the modernization of the nuclear weapons complex. Modernization is necessary to allow the continued production of nuclear weapons in a safe and environmentally acceptable manner.

The committee believes, however, that a decision to initiate the proposed modification project should be made as part of a comprehensive plan to modernize and consolidate the aging and fragile complex. Consequently, the committee does not recommend authorization of the modification project in fiscal year 1989. The committee's decision in no way reflects disapproval or opposition to the modification project. The committee encourages the Department of Energy to resubmit its proposal in its fiscal year 1990 request.

NUCLEAR DIRECTED ENERGY WEAPONS IN SUPPORT OF THE STRATEGIC DEFENSE INITIATIVE

The administration's budget request included $285 million for nuclear directed energy weapons research, an increase of $6 million over the amount appropriated in fiscal year 1988. In light of the committee's recommended reductions in Department of Defense activities for the Strategic Defense Initiative, the committee recommends approval of $279 million for nuclear directed energy weapons research by the Department of Energy.

The committee includes a provision (section 3103(a)) that would prohibit the obligation and expenditure of funds authorized to be appropriated to the Department of Energy for the SDI in excess of $279 million.

SHORT RANGE ATTACK MISSILE (SRAM)

The Fiscal Year 1988/1989 Defense Authorization Act (Public Law 100-180) included a provision that restricted the use of funds for the construction of facilities for a new SRAM warhead to facilities suitable for construction of a warhead compatible with the SRAM A and SRAM II. The provision also prohibited obligation of the funds authorized until the Nuclear Weapons Council certified that the design of the warhead to be constructed in the facility was compatible with the SRAM A and SRAM II.

No funds were appropriated for fiscal year 1988 for construction of facilities. Therefore, the committee includes an identical provision (section 3103(c)) that would restrict the use of funds appropriated for fiscal year 1989 for project 87-D-122, short range attack missile II warhead production facilities, various locations.

N-REACTOR

On February 16, 1988, the Department of Energy announced that the N-reactor would not be restarted and would be defueled and placed in cold standby status. The budget request for fiscal year 1989 contains $158.6 million for N-reactor, which is intended to place N-reactor in cold standby and complete safety upgrades and reviews that were previously scheduled for completion. The committee notes that the decision on N-reactor does not minimize the obligation of the Department of Energy to proceed with defense waste and environmental restoration activities at Hanford. However, the committee also observes that the fiscal year 1989 request for N-reactor probably exceeds the minimum level of funding needed to bring N-reactor into cold-standby status. In light of the Department's decision, the committee recommends that the authorization for N-reactor be reduced by $21.5 million.

NATIONAL LABORATORY VERIFICATION RESEARCH

The Department of Energy's Verification and Control Technology Program conducts advanced research, technology development and system fabrication for the verification of nuclear-related treaties and for the support of nuclear-related technical intelligence systems. The program also provides technical and analytical support for DOE's role in nuclear arms control negotiations and related interagency deliberations.

To ensure high confidence verification of future treaties while also ensuring that sensitive information remains protected, the technical methods used for monitoring must be compatible with the treaty protocols regulating their application. Development of future verification methodology will require considerable interagency and interlaboratory coordination; interaction with technical personnel of other treaty parties; and early field testing and demonstration of monitoring devices, with advance training in their use. Verification of future treaties may also benefit from applications of statistical sampling methods; the development of measurement standards; computerized inspection report tabulation and treaty data base management; and simulation of inspection team visits to sensitive and proprietary facilities.

In order to increase the Department of Energy's capability to meet the requirements of potential future agreements, the committee recommends that a systematic program of analytical work and technology development be undertaken which draws upon all the relevant technical resources available at DOE's national laboratories. Future arms limitation agreements may require the development of improved detection and inspection techniques for monitoring mobile launchers, nuclear warheads, production of special nuclear materials, extended non-proliferation controls, space weapons, reduced thresholds for nuclear explosive tests, chemical and biological weapons, and conventional force reductions.

The committee believes that DOE's national laboratories represent an important technical and analytical resource for developing future verification methods, and strongly supports the strengthening of DOE capabilities in this area. The committee welcomes the recent reorganization of arms control and nonproliferation related activities within DOE defense programs. In order to avoid the displacement of future verification technology development programs by short-term funding requirements, such as the U.S.-Soviet Joint Verification Experiments (JVE), the committee recommends a total of $154,600,000 for Verification and Control Technology in fiscal year 1989, an increase of $15 million over the request and $33.6 million over the 1988 level.

INERTIAL CONFINEMENT FUSION (ICF)

The objective of the inertial confinement fusion program is to achieve a small thermonuclear explosion in the laboratory for the purposes of weapons physics studies, for studies of weapons effects on systems, and, in the longer term, as a possible energy source. In section 1633 of the Fiscal Year 1985 Defense Authorization Act (Public Law 98-525), the Congress requested a review of the inertial confinement fusion program. This review was prepared by a technical review group convened by the National Academy of Sciences and a report was forwarded to the Congress in March 1986. The report recommended that the program be funded at about current levels for the next five years in order to determine reliable estimates of cost and specification of the technology. The review group felt that a firm decision could be made about whether to continue the program vigorously near the end of the five-year period.

Accordingly, the committee includes a provision (section 3131) directing the Secretary of Energy to request the National Academy of Sciences to review the progress of the inertial confinement fusion program and report to the Committees on Armed Services of the Senate and the House of Representatives and the Secretary. The report shall review the accomplishments, management, and goals of the ICF program; assess the anticipated contributions of the ICF program to nuclear weapons testing under a regime limiting underground nuclear tests; and assess the priority of the program relative to the core defense R&D programs of the Department in a constrained budgetary environment. An interim report would be due by January 15, 1990 and a final report by September 15, 1990.

For fiscal year 1989 the committee recommends approval of the request of $163.77 million within which the committee recommends the approval of the requested level of funding for KMS Fusion.

The committee includes a provision (section 3103 (b)) that would ensure that, of the funds appropriated to the Department of Energy for fiscal year 1989, not more than $163.77 million would be used for the defense inertial confinement fusion program.

NEW PRODUCTION REACTOR

Following up on the initiative contained in the Fiscal Year 1988-1989 Defense Authorization Act, the administration requested a total of $60 million for operating and construction funds for a new production reactor. The committee strongly supports this project, believing that an assured source of tritium is the highest nuclear material priority in support of our nuclear deterrence forces.

The committee has received testimony with respect to the evaluation process of candidate technologies and site locations for a new production reactor and urges the Secretary of Energy to complete this process as soon as possible. In addition, the committee notes the long time interval required to place a new production reactor in operation. Given the fragility of the existing materials production complex, the committee views this schedule with concern. Consequently, the committee has included a provision (section 3132) that directs the Secretary of Energy to provide his recommendation on a preferred site and preferred technology to serve as a basis for the Environmental Impact Statement for the new production reactor not later than July 31, 1988, and that requires a report identifying measures to facilitate earliest availability of a new production reactor.

The committee notes that the use of the term "New Production Reactor" should not be interpreted to prejudge the outcome of the ongoing evaluation by the Department of Energy with respect to either technology or site selection.

WASTE ISOLATION PILOT PLANT

As a result of a 1981 agreement between the Department of Energy and the State of New Mexico, the Department of Energy has funded an Environmental Evaluation Group (EEG) to provide independent scientific review and oversight to State and Federal officials on the Waste Isolation Pilot Plant (WIPP) project as it progressed. As the WIPP project proceeds to operational status in fiscal year 1989, the committee wishes to ensure continued effective operation of the EEG. The committee therefore has included a provision (section 3133) which will preserve the independence and effectiveness of the group over the next five years.

WASTE ISOLATION PILOT PLANT ROADS

The 1989 budget request for defense activities of the Department of Energy includes $43 million for road improvements throughout the State of New Mexico. These road improvements are not essential to the transportation of waste to the Waste Isolation Pilot Plant (WIPP).

A 1981 agreement between the Department of Energy and the State of New Mexico committed the Department to make a good faith effort in support of Federal funding for road improvements in New Mexico. Since fiscal year 1984 a total of $54.4 million has been appropriated in transportation bills for identified New Mexico road projects.

The committee does not believe that the defense budget should include general road improvements not directly related to and necessary for defense projects. However, in view of the commitment made to the State of New Mexico by the Department of Energy and the inclusion of funds in the fiscal year 1989 budget request to fulfill the commitment, the committee recommends approval of the requested amount of $43 million.

The committee directs the Secretary of Energy to issue regulations providing that any future similar commitments be directly related and necessary to the project in question and indicating that such funding is subject to Congressional review and approval. The committee further directs that the Secretary consult with the committee before making commitments that would be included in the defense budget. The committee does not view the recommendation of approval of the present request to be a precedent for future actions and does not intend to approve such requests in the future unless they are made in compliance with the procedures outlined above.

LOS ALAMOS COUNTY BUY-OUT

For the past two years the committee has encouraged the Department of Energy to pursue a buy-out of all remaining Federal obligations to Los Alamos County under the Atomic Energy Community Act of 1955. In fiscal year 1986, the Congress authorized a one-time payment to the Oak Ridge, Tennessee communities for this purpose. Similar action was taken in the 1970s in the cases of the city of Richland, Washington, and the Richland School District.

Once again this year the Department of Energy did not include the Los Alamos County buy-out in its request. In order to resolve this issue, the committee includes a provision (section 3134) which would authorize the Secretary of Energy to negotiate a final settlement with Los Alamos County of Federal obligations under the 1955 Act.

The committee notes that the Los Alamos School Board will be the sole remaining recipient of funds under the 1955 Act once the Los Alamos County buy-out is complete. The committee would encourage the Department of Energy and the Los Alamos School Board to commence negotiations on buy-out of those obligations.

SPECIAL ISOTOPE SEPARATION PROJECT

The budget request for the Special Isotope Separation (SIS) project for fiscal year 1989 is $101.4 million. The primary mission of SIS would be to produce weapons-grade plutonium from fuel-grade plutonium owned by the Department of Energy without being dependent on reactor availability. Weapons-grade plutonium would be produced at SIS by using lasers to separate various isotopes of plutonium. This technology has the potential for providing an environmentally safer method of plutonium production than current processes. SIS is scheduled to begin operating in fiscal year 1995.

While the committee recommends approval of the budget request for SIS, the committee intends to follow the progress of this project closely to ensure that it is consistent with the need for nuclear materials and that the technology has been adequately proven. Accordingly, the committee directs the Secretary of Energy to submit a report to the Committees on Armed Services of the Senate and House of Representatives not later than November 1, 1989, which shall include:

(1) an assessment of the adequacy of the SIS technology for transition to safe, routine production operations by DOE contractor personnel at the designated Idaho location; and

(2) a certification that the designated location of the production-scale SIS plant is consistent with the recommendations of the Department of Energy's study on the modernization of the nuclear materials complex, and with the projected long-term need for additional sources of weapons-grade plutonium.

NATIONAL SECURITY ORGANIZATION OF THE DEPARTMENT OF ENERGY

In its July 1985 report, the President's Blue Ribbon Task Group on Nuclear Weapons Program Management made several recommendations to strengthen DOE's management attention to its national security responsibilities. The administration has chosen not to pursue the Task Group's recommendations for upgrading the status of defense programs within the Department of Energy. The committee believes that those recommendations still have merit and should be considered by the new administration which will take office in January 1989.

NUCLEAR WEAPONS COUNCIL

The committee requests the current members of the Nuclear Weapons Council (NWC) to provide the Committees on Armed Services of the Senate and House of Representatives with a summary of the operations of the NWC during its initial period, together with any recommendations for improvements in the operations or management of the Council. This report should be submitted no later than November 1, 1988.

ESTABLISHMENT OF INDEPENDENT SAFETY BOARD

On November 19, 1987 the Armed Services Committee voted unanimously to report the committee amendment to Title I of S. 1085, the Nuclear Protections and Safety Act of 1987. This legislation creates an independent nuclear safety board to improve oversight and to promote the safety of the Department of Energy's defense nuclear facilities. Title I of S. 1085 was considered under sequential referral from the Governmental Affairs Committee, which held four hearings on this legislation.

The Subcommittee on Strategic Forces and Nuclear Deterrence of the Armed Services Committee held five comprehensive hearings which established the basis for its actions on this important legislation. The Armed Services Committee is incorporating Title I of S. 1085 as reported by the Armed Services Committee into the Fiscal Year 1989 Defense Authorization Act (sections 3141-3144).

The Armed Services Committee has prepared an extensive report on this legislation (Senate Report 100-232) and incorporates by reference the findings and views expressed therein.

Fiscal Year 1989 Department of Energy National Security Programs

[Amounts in millions of dollars]

Program	FY 1988 Appropriation	FY 1989 Authorization Request	Senate Change to Request	Senate Authorization
Weapons Activities	4207.545	4256.941	22.296	4279.237
Operating Expenses	3485.225	3567.629	40.296	3607.925
Construction	458.090	417.058	-18.000	399.058
Capital Equipment	264.230	272.254	0.000	272.254
Materials Production	1812.887	2016.759	-21.500	1995.259
Operating Expenses	1424.521	1572.772	-21.500	1551.272
Construction	297.081	341.487	0.000	341.487
Capital Equipment	91.285	102.500	0.000	102.500
Defense Waste and Environmental Restorat	891.132	936.500	50.000	986.500
Operating Expenses	578.519	689.624	50.000	739.624
Construction	268.926	194.160	0.000	194.160
Capital Equipment	43.687	52.716	0.000	52.716
Verification and Control Technology	121.000	139.600	15.000	154.600
Operating Expenses	115.900	131.200	15.000	146.200
Capital Equipment	5.100	8.400	0.000	8.400
Nuclear Safeguards and Security	77.800	80.200	0.000	80.200
Operating Expenses	73.200	75.400	0.000	75.400
Capital Equipment	4.600	4.800	0.000	4.800
Security Investigations	32.000	40.000	0.000	40.000
Operating Expenses	32.000	40.000	0.000	40.000
Naval Reactors Development	607.000	630.000	0.000	630.000
Operating Expenses	544.100	555.400	0.000	555.400
Construction	17.900	26.600	0.000	26.600
Capital Equipment	45.000	48.000	0.000	48.000
TOTAL	7749.364	8100.000	65.796	8165.796

Fiscal Year 1989 Department of Energy National Security Programs

[Amounts in millions of dollars]

Program	FY 1988 Appropriation	FY 1989 Authorization Request	Senate Change to Request	Senate Authorization
Total DOE Operating Expenses	8253.465	8632.025	83.796	8715.821
Operating Expenses				
WEAPONS ACTIVITIES				
Research and Development	1045.519	1052.646	17.000	1069.646
Nuclear Directed Energy Weapons	(125.500)	(131.016)	(-6.000)	(125.016)
Inertial Confinement Fusion	(161.000)	(166.630)	0.000	(166.630)
Testing	511.060	524.238	0.000	524.238
Nuclear Directed Energy Weapons	(114.500)	(121.238)	0.000	(121.238)
Production and Surveillance	1853.830	1909.446	0.000	1909.446
Program Direction	74.826	81.400	23.296	104.696
Weapons Program	(66.848)	(72.166)	0.000	(72.166)
Community Assistance	(7.978)	(9.234)	(23.296)	(32.530)
Undistributed Reduction				
Total, Weapons Activities	3485.226	3567.630	40.296	3607.926
MATERIALS PRODUCTION				
Reactor Operations	550.036	603.976	-21.500	582.476
N Reactor		(158.600)	(-21.500)	(137.100)
Processing of Nuclear Materials	476.700	511.717	0.000	511.717
Special Isotope Separation	(70.000)	(72.300)	0.000	(72.300)
Supporting Services	221.747	259.679	0.000	259.679
Enriched Material	163.000	169.000	0.000	169.000
Naval Reactors Uranium Enrichment	(141.500)	(169.000)	0.000	(169.000)
Other Uranium Enrichment	(11.500)	(0.000)	0.000	(0.000)
Program Direction	34.039	28.400	0.000	28.400
Total, Materials Production	1424.521	1572.772	-21.500	1551.272

Fiscal Year 1989 Department of Energy National Security Programs

[Amounts in millions of dollars]

Program	FY 1988 Appropriation	FY 1989 Authorization Request	Senate Change to Request	Senate Authorization
Operating Expenses (continued)				
DEFENSE WASTE AND ENVIRONMENTAL RESTORATION				
Environmental Restoration..................	97.700	120.026	50.000	170.026
Waste Operations and Projects..............	411.687	532.042	0.000	532.042
Waste Research and Development.............	51.082	56.400	0.000	56.400
Hazardous Waste and Compliance Technology..	7.112	6.377	0.000	6.377
Transportation Management..................	6.400	0.720	0.000	0.720
Program Direction..........................	2.530	3.100	0.000	3.100
Use of Prior Year AEDA Balances............		-43.000	0.000	-43.000
Total, Defense Waste & Environ. Rest	576.510	680.024	50.000	730.024
VERIFICATION AND CONTROL TECHNOLOGY				
Verification and Control Technology........	116.000	131.200	15.000	146.200
Total, Verification & Control Tech.......	116.000	131.200	15.000	146.200
NUCLEAR SAFEGUARDS AND SECURITY				
Nuclear Safeguards and Security............	73.200	76.400	0.000	76.400
Total, Nuclear Safeguards and Securi	73.200	76.400	0.000	76.400
SECURITY INVESTIGATIONS	32.000	40.000	0.000	40.000
NAVAL REACTORS DEVELOPMENT				
Plant Development..........................	74.000	83.000	0.000	83.000
Reactor Development........................	249.700	236.700	0.000	236.700
Reactor Operation and Evaluation...........	208.000	222.700	0.000	222.700
Program Direction..........................	12.400	13.000	0.000	13.000
Undistributed Reduction....................				
Total, Naval Reactors Development...	544.100	555.400	0.000	555.400
TOTAL, DOE DEFENSE ACTIVITIES OPERATING EXPENSES......................	6253.468	6832.026	83.700	6715.831

Fiscal Year 1989 Department of Energy National Security Programs

[Amounts in millions of dollars]

Program	FY 1988 Appropriation	FY 1989 Authorization Request	Senate Change to Request	Senate Authorization
CAPITAL EQUIPMENT				
Weapons Activities..........................	284.230	272.254	0.000	272.254
Nuclear Directed Energy Weapons..........	(17.000)	(17.509)	0.000	(17.509)
Inertial Confinement Fusion..............	(8.000)	(8.240)	0.000	(8.240)
Materials Production........................	81.285	102.500	0.000	102.500
Defense Waste & Environmental Restoration..	43.687	52.716	0.000	52.716
Verification and Control Technology........	5.100	8.400	0.000	8.400
Nuclear Safeguards and Security............	4.600	4.800	0.000	4.800
Naval Reactors Development.................	45.000	48.000	0.000	48.000
TOTAL, DOE DEFENSE ACTIVITIES CAPITAL EQUIPMENT......................	463.902	488.670	0.000	488.670
Subtotal, DOE Operating Expenses....	6253.466	6632.025	83.796	6715.821
Subtotal, DOE Plant Construction....	1041.997	979.306	-18.000	961.306
Subtotal, DOE Capital Equipment.....	463.902	488.670	0.000	488.670
TOTAL, DOE DEFENSE ACTIVITIES............	7749.364	8100.000	65.796	8165.796

TITLE XXXII—NATIONAL DEFENSE STOCKPILE

The committee bill includes three provisions concerning the National Defense Stockpile.

Section 3201 would authorize $90 million for the acquisition and upgrade of materials for the National Defense Stockpile in fiscal year 1989.

Section 3202 would authorize disposal of 19 different materials currently held in the stockpile, these materials having been determined to be excess to the current requirements of the stockpile.

Section 3203 would make a technical change to section 11(b) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98h-2(b)). This change would clarify the fact that the Annual Materials Plan for stockpile operations must be submitted by February 15 of each year for the next fiscal year. This provision would also require reporting of all expenditures from the National Defense Stockpile Transaction Fund in the Annual Materials Plan. Finally, this provision would require that expenditures and disposals detailed in an Annual Materials Plan for a fiscal year that are not obligated or executed in that fiscal year shall not be obligated or expended until they are resubmitted in a subsequent Annual Materials Plan or in a revision thereto.

TITLE XXXIII—CIVIL DEFENSE PROGRAMS OF THE FEDERAL EMERGENCY MANAGEMENT AGENCY

The Federal Emergency Management Agency (FEMA) request for Civil Defense activities for fiscal year 1989 was $160.393 million, an increase of almost 20 percent over the amount appropriated for fiscal year 1988. In view of severe budgetary constraints, the committee cannot justify the large percentage increase for this program and recommends an authorization of $135.393 million.

Last year there was concern about a movement away from a sharp focus on national security considerations as the principal purpose of the civil defense program. The committee received reassurances in testimony by FEMA this year that FEMA has struck an accommodation with State and local governments over the proper balance between the dual use concept and the primacy of nuclear attack preparedness. However, the committee also received testimony questioning the requirement of a State to participate in planning for a strategic nuclear war.

The committee applauds the efforts of FEMA in dealing with emergencies other than attack, and fully supports the "dual use" of systems developed under the Civil Defense Act. However, the committee will continue to look unfavorably upon the use of funds in the defense function (050) for civil defense activities that do not have attack preparedness as the principal rationale.

DEPARTMENTAL RECOMMENDATIONS

By letter dated March 25, 1988, the General Counsel of the Department of Defense forwarded to the President of the Senate proposed legislation "To authorize appropriations for the fiscal year 1989 amended budget request for military functions of the Department of Defense and to prescribe military personnel strengths for such Department for fiscal year 1989, to amend the National Defense Authorization Act for Fiscal Years 1988 and 1989 and for other purposes." The transmittal letter and proposed legislation were officially referred as Executive Communication 3105 to the Committee on Armed Services on April 25, 1988. Senators Nunn and Warner introduced this legislative proposal as S. 2316, by request, on April 22, 1988. The statement made by Senator Nunn upon introduction of S. 2316, together with the text of the legislation and the letter of transmittal of the Department of Defense, appear in the *Congressional Record* of April 22, 1988 on pages S4596–4598.

By letter dated March 24, 1988, the General Counsel of the Department of Defense forwarded to the President of the Senate proposed legislation "To authorize certain construction at military installations for fiscal year 1989, and for other purposes." The transmittal letter and proposed legislation were referred as Executive Communication 2891 to the Committee on Armed Services on April 11, 1988. Senators Nunn and Warner introduced this legislative proposal as S. 2314, by request, on April 22, 1988. The statement made by Senator Nunn upon introduction of S. 2314 and the letter of transmittal of the Department of Defense appear in the *Congressional Record* of April 22, 1988 on pages S4589–4596.

By letter dated March 28, 1988, the General Counsel of the Federal Emergency Management Agency forwarded to the President of the Senate proposed legislation "To authorize appropriations for civil defense programs for fiscal years 1989 and 1990." The transmittal letter and proposed legislation were referred as Executive Communication 2894 on April 11, 1988. Senators Nunn and Warner introduced this legislative proposal as S. 2315, by request, on April 22, 1988. The statement made by Senator Nunn upon introduction of S. 2315 and the letter of transmittal of the Federal Emergency Management Agency appear in the *Congressional Record* of April 22, 1988 on page S4596.

COMMITTEE ACTION

In accordance with the Legislative Reorganization Act of 1946, as amended by the Legislative Reorganization Act of 1970, there is set forth below the committee vote to report the National Defense Authorization Act for Fiscal Year 1989.

In favor: Senators Nunn, Stennis, Exon, Levin, Kennedy, Bingaman, Dixon, Glenn, Gore, Wirth, Shelby, Warner, Thurmond, Humphrey, Cohen, Quayle, Wilson, Gramm, Symms, and McCain.

Opposed: None.

Vote: 20–0.

The other roll call votes on amendments to the bill which were considered during the course of the markup have been made public and are available at the committee.

FISCAL DATA

Section 252 of the Legislative Reorganization Act of 1970 (Public Law 91–510) requires that the report accompanying each bill reported by a Senate committee contain certain information on five-year cost projections.

The letter received in compliance with this statutory requirement is shown below. The bill is an annual authorization and does not, within its own terms, generate costs beyond fiscal year 1989, even though the funds authorized to be obligated by this act may not be expended for several years in the future. The fiscal year authorizations herein provided are reviewed annually by the committee and the Congress.

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1100

COMPTROLLER

APR 5 1988

Honorable Sam Nunn
Chairman, Committee on Armed Services
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with Section 252 of the Legislative Reorganization Act of 1970 (P.L. 91-510), the schedule below provides an estimate of how the authorization now requested in FY 1989 will be expended.

Estimated Expenditure
($ in Millions)

FY 1989 Authorization Request: $204,580

FY 1989	94,200
FY 1990	54,100
FY 1991	29,000
FY 1992	12,600
FY 1993	8,600
Beyond	6,080

Sincerely,

Clyde O. Glaister
Principal Deputy Assistant Secretary of Defense
(Comptroller)

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, DC 20515

May 3, 1988

Honorable Sam Nunn
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The Congressional Budget Office has prepared the attached cost estimate on the National Defense Authorization Act for Fiscal Year 1989, as ordered reported by the Senate Committee on Armed Services, on April 27, 1988.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

James Blum

James L. Blum
Acting Director

Attachment

cc: Honorable John W. Warner
Ranking Minority Member

Congressional Budget Office
Cost Estimate

May 3, 1988

1. BILL NUMBER: Unassigned

2. BILL TITLE:

National Defense Authorization Act for Fiscal Year 1989

3. BILL STATUS:

As ordered reported by the Senate Committee on Armed Services on April 27, 1988.

4. BILL PURPOSE:

This bill authorizes appropriations for the Armed Forces during fiscal year 1989 for:

- The procurement of aircraft, missiles, naval vessels, tracked combat vehicles, and other weapons;
- Research, development, test, and evaluation (RDT&E);
- Operation and maintenance (O&M);
- Military Construction;
- Atomic Energy Defense Activities;
- Civil defense; and
- Military personnel and compensation matters.

This bill prescribes authorized personnel strengths for each active duty component, for the Selected Reserve of each Reserve component, and for military training student loads.

5. ESTIMATED COST TO THE FEDERAL GOVERNMENT:

This bill would entail costs to the federal government in fiscal years 1988-1993, as shown in the following tables.

TABLE 1. ESTIMATED COSTS OF THE NATIONAL DEFENSE AUTHORIZATION ACT, 1989, AS REPORTED BY THE SENATE ARMED SERVICES COMMITTEE (By fiscal year, in millions of dollars)

Category	1988	1989	1990	1991	1992	1993
Function 050						
Direct Authorizations						
Authorization Level	4,000	221,000	0	0	0	0
Estimated Outlays	1,925	103,313	61,738	27,657	11,240	5,673
Estimated Authorizations						
Estimated Auth. Level	0	78,456	257	256	264	268
Estimated Outlays	0	74,763	3,326	314	262	266
Subtotal-Function 050						
Estimated Auth. Level	4,000	299,456	257	256	264	268
Estimated Outlays	1,925	178,076	65,064	27,971	11,502	5,939
Other Functions						
Estimated Auth. Level	0	1,484	-198	0	0	0
Estimated Outlays	0	-25,542	-1,345	0	0	0
Bill Total						
Estimated Auth. Level	4,000	300,940	59	256	264	268
Estimated Outlays	1,925	152,534	63,719	27,971	11,502	5,939

Totals may not add due to rounding.

Basis for Estimate:

All estimates assume that funds will be appropriated for the full amount of the authorization and will be available for obligation by October 1, 1988, unless otherwise specified. Outlays are estimated based on historical outlay rates for the relevant accounts.

The bill states authorizations for appropriations for several accounts totaling $221 billion for 1989. (Such authorizations occur annually). The bill also extends and provides authorization for military construction projects included in previous authorization and appropriation bills. All such projects have been funded in appropriation acts, but have not been completed because authorizations either expire at the end of 1988 or have not been provided at all. Upon enactment of this bill, the Defense Department could execute the projects; thus, outlays could occur in 1988, but CBO assumes enactment late enough in 1988 that outlays will occur starting in 1989. Table 2 shows the costs for each directly authorized account.

The bill contains a provision increasing the authority of the Secretary of Defense to transfer authorizations--not appropriations--to $4 billion. Like other authorizations in this bill, this provision requires appropriations action to have an effect on spending. Assuming similar appropriations actions are taken, outlays would increase by about $1.9 billion in 1988, but would fall by about $0.6 billion in 1989. These estimates assume that funds are transferred from accounts with more outlays in 1989 and later years than 1988 into accounts where the opposite occurs. The estimate also assumes that all additional authority is used by the DoD consistent with the Secretary of Defense's testimony before the Senate Budget Committee last March.

In addition, the bill contains provisions that affect several budget functions and that require CBO to estimate cost impacts for 1988 and the outyears. Table 3 shows the costs of such provisions affecting function 050. Table 4 presents the costs affecting functions other than function 050.

The bill authorizes endstrengths for active duty and reserve military personnel. The estimated costs (presented in Table 3) of authorized military personnel levels are based on average pay rates and allowances including an amount for retired pay accrual.

In addition to specifying personnel levels, the bill also authorizes certain changes in military compensation. Section 601 authorizes basic pay, the basic allowance for quarters, and the basic allowance for subsistence for military personnel to be raised by 4.3 percent effective January 1, 1989. A raise of this amount would increase the military personnel authorization by $2.2 billion in 1989.

Under current law the number of officers in the active duty forces must be reduced by 6,176 in 1989 and 1990. This bill changes that requirement by specifying a smaller reduction in 1989, at a cost of about $67 million.

Section 602 increases the weight allowances permitted for the transporting of household goods of military personnel and dependents, effective July 1, 1989. This change increases the authorization by $24 million in 1989 and $96 million annually thereafter.

Section 611 authorizes a new aviation continuation pay which is designed to aid retention of aviators with certain skills and varies with length of contract. The bill limits the increase in the 1989 authorization to $30 million. Costs would decrease to about $18 million in 1993.

Section 612 authorizes the Secretary of Defense to increase special pays for medical officers by $30 million in 1989.

TABLE 2. DIRECT AUTHORIZATIONS IN THE NATIONAL DEFENSE AUTHORIZATION ACT, 1989 AS REPORTED BY THE SENATE ARMED SERVICES COMMITTEE (By fiscal year, in millions of dollars)

Category	1988	1989	1990	1991	1992	1993
Procurement						
Authorization Level	0	79,852	0	0	0	0
Estimated Outlays	0	11,132	25,611	21,660	9,717	5,407
RDT&E						
Authorization Level	0	37,995	0	0	0	0
Estimated Outlays	0	19,824	13,113	2,494	900	0
O&M						
Authorization Level	0	85,521	0	0	0	0
Estimated Outlays	0	64,636	18,137	1,423	1	0
Military Construction						
Authorization Level	0	8,637	0	0	0	0
Estimated Outlays	0	2,600	2,890	1,667	790	351
Stock Funds						
Authorization Level	0	694	0	0	0	0
Estimated Outlays	0	527	125	42	0	0
Atomic Energy Defense Activities						
Authorization Level	0	8,166	0	0	0	0
Estimated Outlays	0	5,063	2,450	653	0	0
Civil Defense						
Authorization Level	0	135	0	0	0	0
Estimated Outlays	0	85	33	13	4	0
Prior Year Authorizations						
Authorization Level	0	0	0	0	0	0
Estimated Outlays	0	21	44	25	18	5
1988 Transfer Authority						
Authorization Level	4,000	0	0	0	0	0
Estimated Outlays	1,925	-575	-665	-320	-190	-90
Total Function 050						
Authorization Level	4,000	221,000	0	0	0	0
Estimated Outlays	1,925	103,313	61,738	27,657	11,240	5,673

TABLE 3. FUNCTION 050 AUTHORIZATIONS IN THE NATIONAL DEFENSE AUTHORIZATION ACT, 1989, AS REPORTED BY THE SENATE ARMED SERVICES COMMITTEE (By fiscal year, in millions of dollars)

Category	1989	1990	1991	1992	1993
Endstrengths					
Estimated Authorization Level	76,074	0	0	0	0
Estimated Outlays	72,592	2,967	58	0	0
Pay raise for Military Personnel					
Estimated Authorization Level	2,228	0	0	0	0
Estimated Outlays	2,103	109	2	0	0
Change in Officer Strength Reductions					
Estimated Authorization Level	67	133	133	144	156
Estimated Outlays	63	129	132	143	154
Household Goods Weight Allowance					
Estimated Authorization Level	24	96	96	96	96
Estimated Outlays	23	92	95	95	95
Aviator Continuation Bonus					
Estimated Authorization Level	30	27	25	22	18
Estimated Outlays	28	27	25	22	18
Medical Incentive Pay					
Estimated Authorization Level	30	0	0	0	0
Estimated Outlays	28	1	0	0	0
Survivor Benefits					
Estimated Authorization Level	2	2	2	2	2
Estimated Outlays	2	2	2	2	2
Stockpile Sales					
Estimated Outlays	-78	0	0	0	0
Other 050					
Estimated Authorization Level	0	-2	-1	-1	-5
Estimated Outlays	1	-2	-1	-1	-4
Function 050 Total					
Estimated Authorization Level	78,456	257	256	264	268
Estimated Outlays	74,763	3,326	314	262	266

Totals may not add due to rounding.

TABLE 4. ESTIMATED AUTHORIZATIONS FOR FUNCTIONS OTHER THAN 050 IN THE NATIONAL DEFENSE AUTHORIZATION ACT, 1989, AS REPORTED BY THE SENATE ARMED SERVICES COMMITTEE (By fiscal year, in millions of dollars)

Category	1989	1990	1991	1992	1993
Function 400					
Estimated Authorization Level	55	0	0	0	0
Estimated Outlays	53	2	0	0	0
Function 570					
Estimated Authorization Level	986	0	0	0	0
Estimated Outlays	0	0	0	0	0
Function 600					
Estimated Authorization Level	21,842	1,150	0	0	0
Estimated Outlays	0	0	0	0	0
Function 650					
Estimated Authorization Level	4,196	0	0	0	0
Estimated Outlays	0	0	0	0	0
Function 950					
Estimated Authorization Level	-25,595	-1,347	0	0	0
Estimated Outlays	-25,595	-1,347	0	0	0
Total-Functions Other than 050					
Estimated Auth./BA	1,484	-198	0	0	0
Estimated Outlays	-25,542	-1,345	0	0	0

Section 615 authorizes a monthly annuity of $165 to survivors of members of the uniformed services who died prior to the establishment of any survivor annuity program, that is, before November 1, 1953. The Department of Defense estimates that approximately 1,150 people would qualify for this benefit in 1989. The cost of providing it would be approximately $2.4 million in 1989 and would decline slightly thereafter.

The bill authorizes the sale of specified materials from the national defense stockpile in 1989; the proceeds of the sale would total about $168 million. The bill also requires $90 million of acquisitions of other materials.

The bill contains other provisions having a minor cost impact. Section 613 authorizes the establishment of a test program providing special pay for officers in critically short wartime health specialties in the selected reserves. This provision would increase the authorization by about $4 million annually from 1989 to 1992. Another provision in the bill temporarily reduces the number of colonels in the Air Force. This results in a savings of less than $1 million in 1989 and approximately $1.3 million in 1990.

The bill contains a provision that would allow the Defense Department to reimburse its contractors for costs they incur in selling arms to foreign nations. CBO estimates that this provision would probably cost the government from $80 million to $300 million or more per year, although not enough data exists to make a decisive estimate. The CBO estimate is based on two DoD estimates of foreign marketing costs and an assumption that foreign sales would not increase, as a result of this provision, by enough to offset the cost increase to DoD.

Functions other than 050 are affected by provisions in this bill. The bill authorizes an endstrength of 13,000 for the Coast Guard Reserve; the associated costs fall under budget function 400 (See Table 4).

The military and civilian endstrengths authorized by this bill affect contributions to the Old-Age and Survivors Insurance Trust Fund (function 650) and the Hospital Insurance Trust Fund (function 570). The employer's share of the Survivor's Insurance contribution for DoD military and civilian employees totals $4.2 billion, while contributions for Hospital Insurance would be approximately $1 billion.

Function 600-income security--records the accrual amounts for the military retirement trust fund and various amounts associated with civil service retirement. The military endstrengths authorized in this bill have a retirement accrual cost of $20 billion. The employer contribution for civil service retirement adds about $2.2 billion to function 600.

Finally, function 950--undistributed offsetting receipts--records offsets to the accrual payments from function 050 associated with military retirement and employer contributions to social security. Function 950 also shows the receipts from civil service retirement contributions associated with DoD's civilian employees for whom funding is authorized in this bill.

6. ESTIMATED COST TO STATE AND LOCAL GOVERNMENT: None

7. ESTIMATE COMPARISON: None

8. PREVIOUS CBO COST ESTIMATE: None

9. ESTIMATE PREPARED BY:

Eugene Bryton (226-2840)
Barbara Hollinshead (226-2840)
Amy Plapp (226-2840)

10. ESTIMATE APPROVED BY:

James L. Blum
Assistant Director
for Budget Analysis

REGULATORY IMPACT

Paragraph 11(b) of rule XXVI of the Standing Rules of the Senate requires that a report on the regulatory impact of a bill be included in the report on the bill. The committee finds that there is no regulatory impact in the case of the National Defense Authorization Act for Fiscal Year 1989.

CHANGES IN EXISTING LAW

Pursuant to the provisions of paragraph 12 of rule XXVI of the Standing Rules of the Senate, the changes in existing law made by certain portions of the bill have not been shown in this section of the report because, in the opinion of the committee, it is necessary to dispense with showing such changes in order to expedite the business and reduce the expenditure of funds to the Senate.

ADDITIONAL VIEWS OF MR. EXON

I am generally pleased with the action taken by the Senate Armed Services Committee on the amended Fiscal Year 1989 Department of Defense Authorization bill. The committee has identified and funded our highest defense priorities. It has made many difficult decisions with the realization that these difficult budgetary times preclude us from funding all that we would like to provide for national defense.

The committee was most fortunate that, through the efforts of Secretary of Defense Frank Carlucci, we were presented with a reasonable budget that both met our security needs and pressing fiscal constraints. Given the short time remaining in this administration, the Secretary could have chosen to sat back and fulfill the role of a caretaker. Instead, he decided to act decisively and make the tough decisions the administration and the Congress have previously failed to do.

Given the budget situation, I agree with the Secretary's selection of a smaller, but better equipped, military force over a larger one with lowered readiness and poor sustainability. The committee was absolutely correct in continuing this prioritization in its markup of this bill.

I also agree with the view of the majority of the committee that our greatest funding shortfalls and challenges remain in the conventional rather than the strategic area. While our nuclear deterrent remains the bedrock of our Nation's security, we have invested considerably in strategic forces over the past seven years and are now seeing the positive results of that investment. As the chairman of the Subcommittee on Strategic Forces and Nuclear Deterrence, I recognize the need to maintain our deterrent and that will necessitate continued modernization efforts. However, I was able to identify some strategic programs where decreased funding was possible without jeopardizing national security. As a result over $700 million was released for use in our conventional modernization efforts.

The funding levels approved for the Rail Garrison MX missile, Small ICBM, the Strategic Defense Initiative, and the Space Launch Recovery programs were reached after much careful study and thoughtful debate. I strongly support these levels and urge that they be retained on the floor of the Senate.

I would also like to warn my colleagues of several major funding disasters looming on the horizon. One has to do with the replacement of our aging nuclear weapons production complex. The facilities comprising this essential complex are old and increasingly risky to operate. Yet as long as we need to maintain an adequate nuclear deterrent, we will need such facilities. To date, the Department of Energy has failed to seriously address the modernization of the complex. Equally worrisome is the separate but related issue of the cleanup of our existing Energy Department nuclear materials facilities. Once again, the Energy Department has failed to adequately plan for this. I am very disappointed that throughout the subcommittee's study of these issues, the Energy Department has been unable to provide even a "ball park" figure of the replacement and cleanup costs. There is no doubt that these necessary tasks will require billions. The $50 million added to the environmental restoration fund at my urging is a "drop in the bucket" but it is a start towards filling that very dry bucket. My subcommittee will be focusing more on these issues in the years ahead.

Overall, this bill meets our defense needs. It deals with reduced spending in a responsible manner. The Secretary of Defense carried out his responsibilities, the Armed Services Committee met its, and I sincerely hope that the full Senate will approach this bill in the same responsible manner.

J. JAMES EXON.

ADDITIONAL VIEWS OF MR. LEVIN

The White House-Congressional budget summit agreement of last December allocated $299.5 billion for our national defense. That level of spending for fiscal year 1989 was deemed to be sufficient to maintain our national security by the President and congressional leaders. I agree that it is sufficient, provided we carefully and wisely set our defense spending priorities in relation to the threats we face.

Chairman Nunn has taken the lead in seeking to rationalize our spending priorities. The extensive hearings the committee has held on national security strategy, the military net assessment of the threat, and the fiscal year 1989 budget have provided the committee members with the information necessary to act on this budget request in an informed, responsible manner.

However, while we have made progress toward the goal of setting our defense spending priorities in relation to the severity of the various threats posed to our security, in my view we have not gone far enough. The committee reported bill only marginally redirects spending from strategic forces (the President's priorities) to our conventional forces. This is true despite reams of testimony before the committee that it is in the conventional field that we and our allies are most lacking relative to the threats we face.

For example, the Air Force Chief of Staff, General Welch, told the committee that,

> Sir, I think on a strategic nuclear level that the strategic modernization program is stable * * *. But the biggest concern is conventional.

The Commander in Chief of U.S. Atlantic Command, Admiral Lee Baggett testified that,

> There are shortfalls in combatant, mine countermeasures ships, amphibious and combatant logistic support force ships. There are shortages in ground based forces for air defense of island commands in the Atlantic Theater. In spite of significant improvements since 1981, sustainability shortfalls remain. Navy and Air Force component shortages are primarily in preferred munitions. Army component reserve units have an overall unsatisfactory rating.

General Louis Wagner, the Commander of the Army Materiel Command, told us that,

> I am going to tell you that I am going to do less with less. Because unless I can get some relief in those critical areas in supply and maintenance I am not going to be able to keep up the readiness of the Army that we need to carry out our mission and give those soldiers the support they need in the future.

General George Crist, Commander in Chief of Central Command responsible for the Persian Gulf, the Middle East and Southwest Asia, reported that,

> Overall sustainability remains a problem * * *. The problem is rooted principally in low Army war reserve supplies and equipment, dollars for Air Force F-15/16 war reserve spares kits, Defense Logistics Agency petroleum, oil, and lubricants funding, shortage of medical supplies and equipment and chemical protective and warning equipment shortfalls.

Finally, hearings in the subcommittee I chair provided the committee with details about the armor-antiarmor balance between ourselves and the Soviets. The hearings prompted the committee to approve an armor-antiarmor initiative to address the urgent problem caused by rapid improvements in Soviet armor technology which have rendered much of NATO's anti-tank arsenal obsolete. Retired Army General Don Starry described the state of the armor-antiarmor balance today to the subcommittee this way:

> The situation is now a matter of considerable urgency. Indeed, I would describe it as critical.

The point of all this is that, while most everyone believes there is rough parity at the strategic nuclear level, and that strategic nuclear deterrence is sound and robust, there are significant shortfalls and deficiencies in our conventional forces. This is so despite the fundamental truth of what Secretary of Defense Carlucci said before the committee: "Conventional forces are the most likely to be actively and visibly protecting our interests on a day-to-day basis."

I believe the committee bill overfunds strategic programs such as SDI, MX Rail Garrison, and Midgetman, while permitting urgent conventional needs to go underfunded. The committee bill provides $4.6 billion for SDI, an increase of over 21 percent in DOD SDI funding over last year. It allocates $700 million for research and development on the MX Rail Garrison basing mode, a 75 percent increase over last year's level. Finally, it provides $50 million to keep the Midgetman program alive, thus furthering for one more year the wasteful practice of developing two ICBM programs at the same time.

While recommending the above funding for strategic programs, the committee bill cuts key conventional defense programs from last year's levels. For example, in contrast to the recommended 21 percent plus increase in the DOD portion of SDI, the committee bill recommends a cut (both nominal and real) in the aggregate research and development budget of the three services from last year. Despite the fact that sustainability is repeatedly cited as a key conventional deficiency, a potential "war stopper," the committee bill cuts Army ammunition procurement from last year. It underfunds depot level maintenance for all three services, further increasing our maintenance backlogs. It provides only enough money for Air Force spare parts to fund peacetime operations, even though such spares were specifically cited in our hearings as a critical shortfall for wartime contingencies. It cuts the annual production rate of rockets for the Army's Multiple Launch Rocket System (MLRS) despite the fact that the Soviet artillery advantage is often cited as one of NATO's key problems. These are illustrative examples. The list of underfunded conventional programs goes on.

I support the committee bill because I believe that, as a whole, it is a good piece of legislation. It includes a provision which prohibits testing or development of mobile ABM systems or components which would violate the traditional interpretation of the ABM Treaty. It includes the armor-antiarmor initiative, important increases in funding for the Balanced Technology Initiative program, and continues funding for strategic programs which are more than adequate for continued nuclear deterrence, such as the Trident submarine and the Stealth bomber. Finally, it does include cuts in strategic programs which were redistributed to conventional needs.

Regrettably, however, it does not rearrange our defense spending enough to adequately address our conventional needs. I plan to offer one or more amendments to the bill during floor consideration which will do so.

CARL LEVIN.

ADDITIONAL VIEWS OF MR. KENNEDY

I am limiting my additional views to two issues of particular concern: the early retirement of aircraft carriers and construction of the Special Isotope Separation Plant.

EARLY RETIREMENT OF AIRCRAFT CARRIERS

I have serious concerns about whether the pattern of budget reductions is unbalancing our navy force structure. We have protected carrier force goals at the expense of other crucial programs. Budget cuts have come from naval aviation, modern munitions, and cruiser and destroyer programs, while carrier modernization actually has been accelerated. In my view, the achievement of the goal of 15 carriers should be deferred until these programs can be brought into greater synchronization with the carriers.

The Navy's current plans call for expanding to 15 deployable carriers in 1990 when the USS *Abraham Lincoln* is commissioned and to retire two older carriers in 1992 and 1997 respectively as new carriers are commissioned. This retirement schedule should be accelerated to ensure a balanced modernization of other naval forces. Specifically, the Navy should decommission one aircraft carrier in fiscal year 1990 at the time of the commissioning of the USS *Abraham Lincoln* (CVN72) and decommission a second aircraft carrier in fiscal year 1992 at the time of the commissioning of the USS *George Washington* (CVN73).

This alternative retirement schedule would maintain the Navy at its current level of 14 deployable carriers, deferring plans to add a fifteenth carrier from 1990 to 1997. The importance of maintaining a balanced Navy force structure in the face of continued budget reductions makes this deferral essential.

Deferring this expansion 8 years will generate substantial savings. In studies done at the committee's request, estimates of the savings have varied from $1 billion to $5 billion. These savings should be used to alleviate shortfalls in other Navy programs, particularly surface combatants and naval aviation. Throughout the 1990s, the Navy will be over 20 ships short of its requirements for cruisers and destroyers. Over the same period, there will be a shortfall of nearly 200 aircraft. A balanced modernization program requires that these shortfalls be addressed before we seek to achieve the full force of 15 carrier battlegroups.

Maintaining the current force of 14 deployable carriers will allow the Navy to meet all of its peacetime and wartime commitments. Since the late 1970s, the Navy has added one carrier battlegroup. It also has added four surface action groups led by battleships and several amphibious ships capable of operating Marine Corps Harrier aircraft, which in certain situations can meet U.S. naval commitments. Even without expansion to 15 carriers, the capability of

U.S. carrier battlegroups will increase as two older carriers are replaced by modern nuclear carriers with significant operational advantages.

Giving up force structure is the hardest decision for any military service. But, if we are to maintain an effective and balanced fleet, it is the right decision for the Navy now.

SPECIAL ISOTOPE SEPARATION (SIS) PLANT

During full committee consideration of the fiscal year 1989 Department of Defense authorization bill, I offered an amendment to defer expenditure of $28 million in Special Isotope Separation (SIS) construction funds until after February 1, 1989, pending receipt of a report (not later than April 1, 1989) from the new administration on the unresolved technical, environmental, and national security issues affecting the decision to the SIS plant at the Idaho National Engineering Laboratory.

The committee adopted a substitute which directs the Secretary of Energy to submit a report by November 1, 1989, on the adequacy of the SIS technology for transition to safe routine production operations by DOE contractor personnel at the designated Idaho location and the consistency of this location with the long-range modernization plans of the Department of Energy for the plutonium production complex.

The committee's debate on this issue has only reinforced my view that the Senate should not approve construction of a billion dollar plutonium production facility until the technical feasibility, environmental consequences, safety implications, and national security requirements for the facility have been demonstrated.

The committee is not yet in possession of sufficient information to evaluate the risks posed by the proposed SIS plant. SIS technology involves highly flammable vaporized plutonium in proximity to large quantities of highly flammable hydrogen gas and enthanol. Even when this technology is mature—which it clearly is not today—it is likely to be regarded as more hazardous than current nuclear reactor technology, in which radioactive materials are encased in metal and surrounded by strong containment structures.

SIS technology is not ready for deployment in fiscal year 1989. Successful construction of a safe SIS production plant depends on the success of the production-scale technology demonstration program at the Livermore National Laboratory. This program is not scheduled for completion until September 1989. Technical problems could delay that date even further.

There is a large and increasing degree of concurrency between the Livermore development program and construction of the SIS production plant at the Idaho National Engineering Laboratory (INEL). Research and development is slipping into the outyears but construction is moving forward. High levels of development funding overlap construction funding by four years. This pattern of expenditure is just the opposite of that expected for a successful development program entering the deployment stage. As most legislators are aware, "concurrency" is often a formula for cost growth and technical problems.

A closely related and important issue is whether the committee is in possession of sufficient information to conclude that SIS technology can make the transition to a production-scale plant capable of safe routine operations. The fundamental, indispensable document on this subject is the "Safety Analysis Review" (SAR) document. The Department of Energy has stated that this document will not be completed until September 1988. I do not believe that the committee should authorize construction funds for this plant without first reviewing the Safety Analysis Review (SAR) document.

Another concern is the disposal of radioactive wastes from the plant. The SIS Plant is expected to generate 220 tons of long-lived radioactive waste annually, a 2,700 percent increase in the amount of transuranic waste currently generated at INEL. Energy Department plans call for the shipment of this waste to the Waste Isolation Pilot Project (WIPP) near Carlsbad, New Mexico. According to a recent National Academy of Sciences report, however, brine seeping into the WIPP has created "major uncertainties" about whether radioactive waste can be safely stored there. Idaho could therefore be faced with the long-term storage of thousands of tons of transuranic wastes, but it does not appear that the INEL site has the geological characteristics that would make it acceptable for long-term storage.

Some measure of concurrency and increased technical risk might be justified if the SIS plant were being constructed to satisfy some urgent national security requirement for weapons-grade plutonium. But as Energy Department offficials have noted, the SIS plant is not designed to meet a well-identified near-term need.

There is presently a surplus of weapons-grade plutonium. Moreover, the windfall of plutonium from INF weapon reductions has made available the equivalent of about 2 years production from the SIS plant, postponing the date at which the Nation might need to draw upon the output from this proposed facility. Further, in the event of strategic reductions, the United States will have a plutonium surplus for an indefinite period, obviating the need for the billion dollar investment in the proposed SIS plant.

Given the adequacy of existing sources of weapons-grade plutonium through the late 1990s with or without a strategic arms agreement, there is no compelling need to preempt the arms reduction process by rushing to build this additional plutonium production capacity now. Thus the Nation has ample time to evaluate both its need for additional sources of plutonium and the risks of the untried SIS technology before embarking on the construction of the Idaho SIS production facility.

EDWARD M. KENNEDY.

ADDITIONAL VIEWS BY MR. WIRTH

During the course of our hearings and deliberations on this bill, the Senate Armed Services Committee, and particularly the Subcommittee on Conventional Forces and Alliance Defense, focused considerable attention on the subject of the conventional balance between NATO and the Warsaw Pact forces arrayed against each other in Europe. We have expended a great deal of time and energy listening to and debating the nature of the balance and, where imbalance appears to exist favoring the Pact, how to correct that imbalance. In this report the committee recommends additional funds be authorized over and above the President's request for a number of armor and anti-armor programs that will begin to restore the ability of our forces to better deter and defend against a conventional attack on Europe.

While the committee's actions to improve conventional defense capabilities are important—and necessary at this time—I think the committee has given insufficient attention to a number of possible actions that could enhance conventional stability and increase the warning time for any Warsaw Pact attack that would be so necessary to enable NATO's member governments to make the political decisions to mobilize reserves and reinforce the forward deployed forces of NATO. The actions to which I refer can be categorized as conventional arms control and stabilizing measures (with the latter term encompassing both "confidence-building measures [CBMs]," of the sort agreed to at the Stockholm Conference in 1986 which was part of the Conference of Confidence- and Security-Building Measures and Disarmament in Europe [CDE] and "force constraints").

The committee's formal report to the Foreign Relations Committee on the INF Treaty recognized the promise of such measures, identifying them collectively as components of the "second track" of the "roadmap to NATO strength in the report's section on "NATO in the Post-INF Environment." The committee gave futher indication of its appreciation for the potential of conventional arms control and stabilizing measures when it adopted my amendment to this bill, cosponsored by Senators Nunn and Levin, expressing the sense of the Congress that an expansion of confidence-building should not enjoy a high priority in the administration's plans to proceed with conventional arms control initiatives in Europe. Nevertheless, much more can be done in this area.

To date, what attention the United States and NATO arms control negotiators have devoted to stabilizing measures has focused on confidence-building measures of the Stockholm Agreement genre. That agreement permits each side to observe and inspect military operations of the other side. These inspections and observations are viewed with great promise in Europe.

Two new rounds of Western Bloc-Eastern Bloc talks are anticipated to begin later this year: a follow-on to the CDE talks and the resulting Stockholm Agreement, and a new series of talks, the Conventional Stability Talks (CST). Enhanced CBMs will be discussed at the follow-on to the Stockholm meeting. Force constraints as well as force reductions can be considered in the framework of the CST.

Since becoming a member of the Armed Services Committee last year, I have devoted a great deal of attention to this subject, and have concluded that expanding the current regimen of CBMs to include force constraints and limitations will enhance our conventional defense system in Europe, provide some early successes in the new discussions, and build the infrastructure for a verification regime for future conventional disarmament. Taking such steps, (which some have labeled "operational arms control") will be stabilizing, beneficial to the security of the Western Alliance and its members, and more easily achievable than actual reductions in weapons systems or forces (traditional arms control—or "structural" arms control).

In the area of Stockholm-type CBMs, we should consider a number of new initatives at both the CDE and CST negotiations. For example, we should seek an increase in the number of demand inspections permitted annually. We should also attempt to expand the scope of activities subject to inspection and observation. All military operations, including movements of aviation units and naval maneuvers, should be brought under the provisions of the Stockholm Agreement in ways that enhance mutual security. Building on the intrusive inspection regime of the INF Treaty, we should attempt to establish on-site monitoring facilities at the entrances to major rail yards, ammunition and fuel storage depots, and international transshipment points.

A different kind of CBM we should pursue immediately is the exchange of NATO and Warsaw Pact officers for the purposes of discussing strategy and doctrine and breaking down barriers to better understanding between the competing alliances.

Throughout the post-war period the Soviet Union has maintained forces in Eastern Europe, and in the western portions of the Soviet Union, deployed, equipped, and trained in a manner to facilitate offensive operations. U.S. and other NATO forces are also forward deployed and offensive-capable, and the Warsaw Pact claims it believes NATO has offensive intentions and objectives. Despite recent encouraging rhetoric from Soviet officials, the Soviet Union's forces remain guided by an offensive doctrine and appear to be implementing that doctrine. Recent changes in U.S. doctrine—such as shifting from active defense to AirLand Battle—and the adoption of the Follow-On Forces Attack (FOFA) doctrine by NATO apparently are a matter of considerable concern ot the Soviets and their allies. NATO and Warsaw Pact officers I met in Europe, including General Galvin, the SACEUR; General Otis, USAREUR Commander; and General Dachowski, First Deputy Chief of Staff of the Polish Army, told me that they would welcome exchanges and the opportunity to discuss concerns about each other's doctrine.

As we become more familiar with the other side's doctrine, we can use these exchanges to help us discriminate between routine and premobilization or mobilization activites. Ultimately we can use the exchange of information on strategy and doctrine to reduce border tension.

The first steps toward instituting such exchanges between senior NATO and Warsaw Pact officers already have occurred. Secretary of Defense Carlucci and Soviet Defense Minister Yazov's recent meeting will be followed by an exchange of visits between Admiral Crowe and his Soviet counterpart Marshal Akhromeyev. We should seek to expand on these meetings and make them routine.

All of these measures could reduce tension and the possibility for misunderstanding and misinterpretation of the other side's activities while simultaneously increasing warning time and certainty in case of Pact mobilization. Exchanges between NATO and Warsaw Pact officers and an expanded regimen of CBMs need not wait for tangible reductions or redeployment of conventional forces.

Finally, given the prospect that the new conventional stability talks will take several years to produce any actual force reductions, we should attempt to negotiate force constraints and limitations which, along with enhanced CBMs, could serve as stepping stones toward actual reductions in Warsaw Pact and NATO conventional forces. Such measures would be aimed at complicating preparations for short-warning attacks, making unreinforced offensive operations less feasible, and installing a variety of cooperative inspection procedures that could help monitor compliance with any eventual arms reduction accord. Such measures would give both sides the opportunity to demonstrate in tangible ways that their intentions and objectives are truly defensive.

Such force constraints are still in the early stages of conceptual development in the West. In the past, we have seen constraints largely as measures to accompany and augment arms reduction accords. We do not yet know which ones most effectively would reduce the options for attack while preserving the legitimate capabilities for defense. Yet, a number of ideas appear worth exploring.

For example, we could consider setting limitations on the size of maneuver units, making it more difficult in exercises to prepare the sorts of formations necessary for attack.

We could also seek constraints on the time that maneuver units spend out of garrison, a measure that would build confidence in stated intention as well as inhibit attack potential. Another useful measure to consider would be establishing limits on the number and size of maneuver units that could be moved into specified geographic areas from other regions.

We should look into the possibility of negotiating restrictions on the locations of fuel and ammunition depots, ensuring that such facilities are not located near the East-West dividing line. (This, and other measures, might require asymmetrical limitations to take into account the much greater geographic depth of the Eastern side.)

Moving closer to actual arms reductions, we should explore schemes for taking certain equipment out of units and storing it in depots monitored by the other side. Logical candidates for storage include tanks, self-propelled artillery, and bridging equipment. The engines could be removed from the tanks and stored separately, requiring additional time to bring the units back into service and increasing the visibility of any aggressive intentions. Storing equipment, taking into account the need to equalize imbalances in current deployments of such systems, would not require destruction of those systems. But storage arrangements could complicate any preparations to attack the other side with short warning.

Such measures, if negotiated, could help establish patterns of East-West security cooperation that would improve the prospects for actual reductions. Perhaps more importantly, by limiting the potential of the Warsaw Pact to mount an attack on short-warning, such measures would permit the NATO countries to concentrate resources on defending against other scenarios. For example, it might be difficult to design constraints that would effectively inhibit the Warsaw Pact's ability to mobilize over a period of weeks or months for an attack, should the Pact choose to do so. But if the short-warning attack scenario is made extremely unattractive through constraints and limitations, there would be a greater chance for diplomacy to defuse the political crisis that presumably would surround any prolonged build-up for a reinforced attack.

In conclusion, the early negotiation, implementation, and use of confidence building measures and of force constraints and limitations could help stabilize the military situation in Europe, reduce the risk of war—conventional or nuclear—between NATO and the Warsaw Pact, facilitate progress toward arms reduction agreements, and build the foundation for the verification regime such accords would require.

Further measures to stabilize military relations in Europe should be attainable in the next several years if the Soviet Union is sincere about its professed desire to diminish the military confrontation in Europe. A step-by-step process minimizes the risks for both sides, and therefore creates opportunities for progress that are blocked by "all-or-nothing" approaches. The United States and its NATO allies should devote priority attention and analysis to such measures in the coming months. The goal should be to ensure that the West's negotiating approach encompasses a wide range of possible avenues to a more secure military situation in Europe.

TIMOTHY E. WIRTH.

SUPPLEMENTAL VIEWS OF MR. SYMMS

Mr. Chairman, we are charged by the Constitution to provide for the common defense, to raise and support Armies and to provide and maintain a Navy. How then does one explain a fourth year of declining defense budgets? Has the threat been reduced? Is the world a safer place today than it was four years ago? Have the Soviets renounced their intention to export communism throughout the world? I don't think so.

Though I cast my vote for passage of this year's Defense Authorization Bill, I do so with a great sense of foreboding. I am deeply concerned that we in the Senate have been lulled into believing that this Nation can maintain an acceptable level of defense at a reduced price, simply by devoting some funds to weapons modernization and that the resulting level of technological sophistication will be sufficient to guarantee our security. Nothing could be further from the truth! By adopting that approach we only highlight our vulnerabilities. Its just not sufficient to have a few of the most sophisticated weapons in the world, if we cannot afford to support them when they are deployed or replace them if they are destroyed. That is the crux of the issue. We have fooled ourselves into believing that we can continue to pursue our interests in the world and guarantee our own and our Allies security without paying for it. We are, with passage of this bill, continuing a slide in defense spending that ultimately will result in a military force that is a mile wide and an inch deep; a force that may "git there the firstest with the mostest" but won't be able to stay.

We must stop the slide and face the realities of our own security; its not enough to modernize; we must be able to sustain our forces and their weapons systems. By failing to adequately provide for the common defense, we are continuously forcing the Services to choose between readiness and modernization, between force structure and operations. Choices guaranteed to increase the risk to our national interests and choices guaranteed to increase casualties on the battlefield.

I, for one, will not succumb to the allure of a "do more with less" approach to Defense spending as mandated by last years, "Budget Summit." If we are to live up to the expectations of our charter and meet our responsibilities to our fellow citizens, then we must truly provide for the common defense with adequate and appropriate funding levels.

STEVE SYMMS.

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